

# IEG

INDEPENDENT EVALUATION GROUP

WORLD BANK



## **The Effectiveness of World Bank Support for Community-Based and -Driven Development**

### ***Background Paper* Safeguard Policy Review**

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## Abbreviations and Acronyms

BP	Bank Procedure
CAE	Country Assistance Evaluation
CBD	Community Based Development
CDD	Community Driven Development
EA	Environmental Assessment
EAP	Environmental Action Plan
EDS	Environmental Data Sheet
EIA	Environmental Impact Assessment
EIR	Extractive Industries Review
EMP	Environmental Management Plan
EMS	Environmental Management System
FY	Fiscal Year
HS	Highly Satisfactory
HU	Highly Unsatisfactory
ICR	Implementation Completion Report
IDA	International Development Association
IM	Implementation Manual
IP	Indigenous People
IPAP	Indigenous Peoples' Action Plan
IPDP	Indigenous Peoples' Development Plan
ISDS	Integrated Safeguards Data Sheet
LEG	Legal Department
M&E	Monitoring and Evaluation
MOP	Memorandum of the President
MS	Moderately Satisfactory
MTR	Mid-Term Review
MU	Moderately Unsatisfactory
NGO	Nongovernmental organization
OD	Operational Directive (World Bank)
OED	Operations Evaluation Department
OM	Operational Manual
OP	Operational Policy (World Bank)
OPN	Operational Policy Note
PAD	Project Appraisal Document
PAP	Project Affected People
PPAR	Project Performance Assessment Report
PSR	Project Status Report
QACU	Quality Assurance and Compliance Unit
QAG	Quality Assurance Group
RAF	Resettlement Action Framework
RAP	Resettlement Action Plan
S	Satisfactory
SAR	Staff Appraisal Report
U	Unsatisfactory

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## Executive Summary

The Safeguards Policy Review is one of two thematic studies conducted for the OED evaluation of the World Bank's support for community-based and -driven development. The study reviewed project appraisal, supervision, and completion documents for a sample of 84 projects to assess their compliance with the Bank's safeguard policies.<sup>1</sup> The desk reviews were supplemented by interviews with task team leaders, the Quality Assurance and Compliance Unit team, and Regional safeguards coordinators in selected cases. Selected items of direct relevance from the literature on safeguard policies and CBD/CDD projects were also reviewed.

Detailed findings on each project were condensed into a set of ratings on quality of compliance and analyzed with respect to: environmental assessment (EA) category, sector, Region, project type, and age. Findings and recommendations were developed from this analysis. Examples of best practice and missed opportunities were also identified. A special review was made of the 10 CBD/CDD projects in Benin as part of a country study. Finally, 473 headquarters and field staff were sent a questionnaire that included questions on safeguard issues to assess Bank performance in the area of CBD/CDD projects and how Bank capacity to undertake CBD/CDD interventions has evolved.<sup>2</sup>

Because of the broad definition of CBD/CDD used, which includes some projects with only minor CBD/CDD aspects, the sample projects are heterogeneous. Therefore, the projects were divided into two broad groups:

- CBD/CDD with subprojects (CBD/CDD-S) (76 percent of the sample): CBD/CDD projects for which the majority of investment funding is for a large number of small and scattered subprojects. Such subprojects may be multisectoral or may be limited to a single sector, such as health or education.
- Other Projects (CBD/CDD-NS): Projects that have CBD/CDD aspects or components but do not fit the definition above.

### Quality at Entry

The study found that the EA category was correctly assigned for 80 percent of the sample projects but, given the nature and extent of potential impacts, it was judged that 9 percent of Category Bs should have been As and 38 percent of Cs should have been Bs (see box 5.1 in Chapter 5 for definitions of these categories). The quality of appraisal was rated moderately satisfactory and above for 70 percent of the total sample, with newer projects scoring higher.

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<sup>1</sup> The Safeguard Policies – covering environmental assessment, natural habitats, pest management, involuntary resettlement, indigenous peoples, forests, safety of dams, cultural property, projects on international waterways, and projects in disputed areas – provide a mechanism for integrating environmental and social concerns into development decision making.

<sup>2</sup> The response rate of the questionnaire was 32%. This limits the generalizability of the survey result to relevant Bank staff as a whole.

The quality of EA documents was mixed: only two of the five A projects and 74 percent of B projects were rated moderately satisfactory or above. The special requirements for IDA B projects with a separate EA report were generally observed. The quality of Resettlement Action Plans and Indigenous Peoples Development Plans was generally high. The number of cases where the potential applicability of one or more of the safeguards policies should have been discussed but was not was high—about equal to the cases where policies were triggered. Compliance with the public disclosure and consultation requirements of the safeguard policies was good for resettlement and indigenous peoples issues, but less so for EAs. In contrast, provisions for capacity building were well developed, with monitoring somewhat less so.

Overall, quality at entry was rated moderately satisfactory and above for 70 percent of the sample. The small group of FI (Financial Intermediary) projects were rated much better than average, while As were distinctly worse than average. Newer projects are markedly better than the older group—81 percent versus 54 percent moderately satisfactory and above. CBD/CDD-S projects also score better than CBD/CDD-NS—77 percent versus 50 percent moderately satisfactory and above. Adjustable Program Loans (APLs) scored somewhat better than conventional projects. In terms of Regions, Africa, Europe and Central Asia, and the Middle East and North Africa have the highest percentages of moderately satisfactory and above, while Latin America and the Caribbean and South Asia have the lowest. Among sectors, transport, social, and environment had the best results, while the ratings for the rural and urban sectors were well below average.

The study found that internal guidance on the use of the FI category and, consequently, the practices of the Regions have not been entirely consistent since that category was introduced in January 1999. Discussion about the assignment of the FI category for most CBD/CDD projects is ongoing, but full guidance has yet to be issued.

### **Quality during Implementation**

Despite format changes in the Project Status Report (PSR) that encourage detailed reporting on the implementation of safeguard measures, such reporting remains sparse and inadequate. This is true especially for Category A projects, which should receive particular scrutiny during implementation, and FIs, where the real work of screening subprojects and designing mitigation measures falls into the project implementation phase. There was no specialist follow up for cases where the dam safety and pest management policies were triggered. There was almost no reporting on capacity building or monitoring systems. Most of the Implementation Completion Reports (ICRs) were also less than satisfactory on reporting safeguard compliance, with the majority containing no discussion at all. Of the four Project Performance Assessment Reports (PPARs) available for this sample, two provided good analysis of safeguard issues, while the other two said nothing.<sup>3</sup>

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<sup>3</sup> PPARs are prepared for selected projects by the Operations Evaluation Department, whereas ICRs are prepared for all projects by the Regions.

The overall quality of implementation was rated moderately satisfactory and above for only 35 percent of cases, with A projects at 40 percent. While newer projects score much better than older ones, at 44 percent moderately satisfactory and above, they are still far from meeting Bank standards. As at appraisal, CBD/CDD-S projects are distinctly better than CBD/CDD-NS (38 percent versus 25 percent). In contrast to the quality at entry ratings, East Asia and the Pacific and South Asia score highest for quality of supervision of safeguard issues, with Latin America and the Caribbean and the Middle East and North Africa scoring lowest. Sectorally, water supply and sanitation and transport had the best record, with energy, mining & private sector, social, and education scoring lowest.

### **Overall Project Quality**

When the ratings for entry and implementation are combined, the overall proportion of projects moderately satisfactory and above is 70 percent, the same outcome as for quality at entry. However, this disguises the fact that the projects rated (fully) satisfactory and above slip from 52 percent at entry to 17 percent when implementation is considered, and those rated unsatisfactory and highly unsatisfactory climb from 20 percent to 33 percent. Regardless of statistical quirks, the result of 70 percent falls well below Bank expectations. Between EA categories, the result for the small FI sample is 100 percent moderately satisfactory and above, while Bs and Cs are close to the average. The main concern is the very low percentage of A projects (40 percent) that is being handled well. Nevertheless, newer projects are closer to compliance than the older group—87 percent to 45 percent. While 87 percent is an encouraging result, it includes 65 percent in the moderately satisfactory category, indicating considerable room for improvement. The Europe and Central Asia and Middle East and North Africa Regions achieved the best results overall, with the other Regions close to each other at a lower level. Among the sectors, transport, social, and environment scored highest, and urban lowest.

The review also found that difficulties exist in applying the safeguard policies to multi-component projects and that the potential for cumulative impacts from large numbers of small subprojects is sometimes overlooked. The importance of adequate collection and disposal of medical waste was not recognized in some earlier health projects, but recent practice has improved.

The review found that 6 of the 11 projects rated unsatisfactory on overall quality were in the Bank's largest borrower countries.

The survey of Bank staff showed that only a quarter of respondents agreed that resources for addressing safeguard issues were sufficient, though about half felt that current policies were relevant for CBD/CDD projects.

### **Conclusions**

Four broad themes emerge from the analysis:

- Although there has been clear improvement, safeguard compliance in CBD/CDD projects does not yet fully meet Bank standards.

- While quality at entry needs improvement, safeguards compliance during implementation warrants much greater attention by the Bank and borrowers, and may indicate the need for greater allocation of supervision resources.
- Gaps in the compliance system may be leading to significant environmental and social impacts, which may not be caught by the monitoring and reporting systems typically used.
- The Bank appears to have particular difficulty in ensuring safeguard compliance in its largest borrowers.

Based on its findings and conclusions, the Review makes the following recommendations.

**At the level of policy development, Regional coordination, staff guidance and training:**

- Guidance is urgently needed on the appropriate EA categorization of CBD/CDD projects, especially on the use of the FI category and on the special requirements for IDA B projects with a separate EA report.
- Training of task teams in the application of the safeguard policies to CBD/CDD projects should be intensified and should rely heavily on “best practice” examples, of which this Review has identified some.
- A thematic study of the environmental and social implications of changes in land use may be warranted.
- In any planned revision of Operational Policy 4.01 (and/or the other safeguard policies), special attention should be given *inter alia* to: streamlining the IDA B with separate EA report procedures; defining “financial intermediary”; dealing with multi-component A projects; defining standards for supervision and completion reporting on safeguards compliance; and a possible mandated role for the Regional environmental and social units in the supervision of A projects.
- The experience of the Poland: Rural Development Project should be thoroughly reviewed for examples of the issues that may arise from the use of country systems for safeguards compliance.

**At the level of Regional safeguards compliance assurance:**

- Evaluating the recent transfer of sign-off authority for Category B and FI projects in light of the above findings and those of other OED studies, including staffing and budgeting issues.
- Ensuring full compliance at entry with safeguard policies, especially in the Bank’s largest borrower countries.
- Ensuring that policies other than Operational Policy 4.01 are triggered in appropriate cases and necessary follow up actions taken.

- Obtaining resources for and carrying out special reviews of safeguard compliance for CBD/CDD projects under supervision, with special attention to the adequacy of agreed provisions, the effectiveness of their implementation, and the success of capacity building and monitoring activities.
- Developing standard document packages (cf. procurement documents) for safeguard instruments such as EAs, Environmental Management Plans, Resettlement Action Plans, and Indigenous Peoples Development Plans.
- Reviewing the potential for delegation of safeguard management authority to national agencies.

**At the level of project development, approval and supervision:**

- Identification of potential safeguard issues, for example, by use of Strategic Environmental Assessment.
- Mainstreaming environmental and social safeguards into the preparation process for CBD/CDD projects, for example, in developing, planning, programming, and monitoring programs, as well as staff training.
- Collaborating closely with the Regional environmental and social units in assigning EA categories appropriately and in using the Integrated Safeguards Data Sheet as a “contract” for actions needed between the project concept development and appraisal stages.
- Being sensitive to the special disclosure and consultation requirements of Categories A and B (and agreeing with management on commonsense waivers where process requirements may impede project quality or timeliness).
- Obtaining sufficient financial and staff resources to allow adequate supervision of the implementation of agreed safeguard measures, especially for As and Bs with an EMP, including periodic review of a sample of subprojects.
- Using the comment boxes in the PSR form to explain the reasoning behind the ratings given, the progress of capacity building or monitoring programs, and any unforeseen problems encountered, with special attention to Category A projects.
- Using the Mid-Term Review to look in greater depth at safeguard compliance, with the assistance of environmental and/or social specialists.
- Following the guidelines for the ICR in reporting on safeguard compliance at project completion.

# 1. Study Objective and Methodology

## OBJECTIVE

1.1 The Safeguards Policy Review is one of the “thematic studies” under the OED study: “The Effectiveness of World Bank Support for Community-Based and -Driven Development,” hereafter referred to as the “CBD/CDD Study.”

1.2 The objective of the safeguards thematic review is as follows: “CBD/CDD projects, like all Bank-supported projects, are required to comply with the Bank’s safeguard policies. This Safeguards Policy Review analyzed the project appraisal, completion and supervision documents, of the sample projects to gather information relating to their safeguard compliance. A further review of the design and implementation experience of the same sample of CBD/CDD projects was done to help identify challenges CBD/CDD operations face in applying the Bank’s safeguards and assess the extent to which the interventions complied with safeguard requirements. This desk review also attempted to assess the extent to which evolution in project design over time has improved monitoring and compliance with safeguards.”<sup>4</sup>

1.3 The CBD/CDD Study contains a full discussion of the quality of CBD/CDD operations, including the definitions used for the derivation of the project sample used in this Review.

## REVIEW METHODOLOGY

1.4 The methodology of this Review was adapted from that for the recently completed “Review of the Implementation of Safeguard Policies of World Bank Extractive Industries Projects,” OED, July 23, 2003 (Reference 11), taking into account the rather different scale and nature of the projects in the two samples. Details are provided in Annex 3a and 3b.

1.5 A total of 847 projects were identified for the period covering fiscal years 1989 to 2003. These include both primary CBD/CDD projects and other Bank projects with CBD/CDD components. For an in-depth review, a random sample of 84 projects (about 10% of the CBD/CDD portfolio) was selected. The portfolio of 847 projects was stratified on three aspects: projects approved over different time periods to trace changes in the project design; projects from all six Bank Regions; and projects from all the major sectors. The stratification was done to ensure that important characteristics in the population of 847 are adequately represented in the sample.

1.6 Key documents for the 84 projects in the sample<sup>5</sup> were reviewed, supplemented by interviews with (or email requests to) task team leaders in selected cases—generally those

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4. OED, “Community-Driven Development: A Study Methodology,” (draft), July 29, 2003.

5. See the CBD/CDD Study for the sampling frame and methodology. General information on the sample projects is given in Annex 4.

where the document review indicated compliance deficiencies. Several of the regional safeguards coordinators as well as the staff from the Quality Assurance and Compliance Unit (QACU) were also interviewed to get a feel for how various policies were interpreted at various times.<sup>6</sup>

1.7 For every project, the appraisal document (SAR or PAD) was reviewed, together with any stand alone Environmental Impact Assessment (EIA), Resettlement Action Plan (RAP) or Indigenous Peoples' Development Plan (IPDP) or their equivalent. For Category A and selected other projects, the legal documents and any Operational Manual (OM) were also reviewed, to establish the quality at entry.

1.8 For completed projects, the ICR was reviewed, together with OED's Evaluation Summaries, Project Status Reports (PSRs) and the Mid-Term Review (MTR). For projects assessed by OED, the PPAR was reviewed. For projects under implementation, several PSRs were read—generally the MTR and the latest PSR. In a few cases, special reviews of safeguard compliance for the project were available. Lessons from OED evaluation of a few selected projects outside the sample are also incorporated in the study.

1.9 A large matrix<sup>7</sup> was developed to record key data on each project with respect to quality at entry, at implementation, and at completion, which was then condensed into a set of ratings on quality of compliance. These ratings are analyzed in Chapter 4 with respect to the following variables: EA category, sector, region, project type and age. From this analysis, findings and recommendations were developed. Examples of best practice and missed opportunities were also identified.

1.10 To support the Benin country study under the CBD/CDD Study, a special review was made of the 10 CBD/CDD projects in that country, although only one of these was part of the sample of 84 projects.

1.11 Finally, under the CBD/CDD Study, a questionnaire was sent to 473 headquarters and field staff working to assess Bank performance in the area of CBD/CDD projects and how Bank capacity to undertake CBD/CDD interventions has evolved. Two questions on safeguard issues were asked.

## **2. Background and Literature Review**

2.1 As is true of many of the Bank's policies and procedures, the safeguard policies were written primarily with a large, lumpy investment at a specific location in mind. Adapting them to the conditions of CBD/CDD projects—which often consist of numerous,

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6. QACU is the unit within the Bank responsible for safeguard clarity, safeguard guidance, and safeguard review and clearance.

7. On file in OED and available on request.

heterogeneous, small sub-projects that are not precisely known at the time of appraisal—is challenging.

## LITERATURE REVIEW

2.2 The literature on safeguard policies, even within the Bank, is quite vast and the same can be said for CBD/CDD projects. This section reviews only a limited number of items of direct relevance to this study (see Annex 6 for a listing of sources). OED reviewed the application of safeguard policies across the Bank in 1999 (reference 3) and found a number of weaknesses, including: limited local participation; monitoring deficiencies; inadequate covenants; problems in the natural habitats area; EAs that are too general and ineffective in influencing project design; and, above all, lax Bank supervision. Reference 15 is an OED review of social development that relies on a meta-evaluation of 10 previous OED studies, including those on resettlement and cultural property. It describes the Bank’s record on social safeguards as “disappointing or uneven,” especially in areas such as failure to recognize that a policy is triggered and the treatment of safeguards as an add-on, though the record is regarded as improving.

2.3 Reference 5 is a Discussion Note from the Quality Assurance Compliance Unit (QACU) and Operational Policy and Country Services (OPCS) proposing certain measures to streamline the effectiveness of the policies: clarifying their treatment in different lending contexts; strengthening borrower capacity and pilots to delegate responsibilities to borrowers; harmonization with other lenders; and, strengthening supervision. The Note is currently posted on the World Bank’s Internet site for public comment.<sup>8</sup>

2.4 To date, QACU has not provided specific guidance on the application of safeguard policies to CBD/CDD projects (although a draft note has been circulated—reference 4) but several Regions have done so: AFR (reference 9); LAC (reference 6); and MNA (references 7 and 8). While these documents are generally consistent, there are some important differences, for example, in the treatment of the ‘FI’ category, where AFR and LAC support the use of ‘FI’ for CBD/CDD-S projects, while MNA does not. The South Asia Region has prepared a useful review of environmental management in the India CBD/CDD portfolio (reference 10) the structure of which influenced the layout of this Review. It endorses: use of Framework EAs for CBD/CDD operations; negative lists; the need for thorough design of capacity building needs; the importance of field visits and a monitoring system; the need for flexibility; the risk of cumulative impacts; and, the need for dissemination. It emphasizes the importance of better Bank supervision of CBD/CDD-type projects.

2.5 Another source for methodology and approach, although its subject matter and thus conclusions are rather different, was the recent OED review of safeguard policies in extractive industries (reference 11).

2.6 Coverage of safeguard policy issues is modest in the limited range of documents reviewed relating to CBD/CDD projects. The subject is covered in the OED review of

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<sup>8</sup> <http://Inweb18.worldbank.org/ESSD/sdvext.nsf/04ByDocName/SafeguardPolicyFramework>

projects in the Sahel region (reference 2), and it is flagged as an issue for further study in the Study Methodology for the present assignment (reference 1).

2.7 Two OED reviews of China (references 12 and 13) provide valuable background, as safeguard management is covered in some detail, and found to be “highly variable” (see Box 2 and section 5.1 IV for some related findings of this Review). Finally, recent OED Project Performance Assessment Reports for Mali, India, and Benin and an OED ICR review for Nepal, were consulted for additional insight into some of the issues raised in this review.<sup>9</sup>

## **BANK SAFEGUARD POLICIES<sup>10</sup>**

2.8 Safeguard policies provide a mechanism for integrating environmental and social concerns into development decision-making. In addition to providing guidance on measures to improve and sustain operations in specific areas, most safeguard policies provide that: (a) potentially adverse environmental impacts affecting the physical environment, ecosystem functions and human health, and physical cultural resources, as well as specific social impacts, should be identified early in the project cycle; (b) unavoidable adverse impacts should be minimized or mitigated to the extent feasible; and (c) timely information should be provided to stakeholders, who should have the opportunity to comment on both the nature and significance of impacts and the proposed mitigation measures.

2.9 The 10 Bank policies which have come to be known as the “Safeguard Policies” relate to:

- Environmental assessment (OP/BP 4.01)
- Natural habitats (OP/BP 4.04)
- Pest management (OP 4.09)
- Involuntary resettlement (OP/BP 4.12)
- Indigenous peoples (OP/BP 4.12)
- Forests (OP/BP 4.36)
- Safety of dams (OP/BP 4.37)
- Cultural property (OPN 11.03 being converted to OP/BP 4.11)
- Projects on international waterways (OP/BP 7.50)
- Projects in disputed areas (OP/BP 7.60)

2.10 The policy on Disclosure of Information (OP 17.50) is also closely related to the application of the above policies.

2.11 The borrower (or guarantor, recipient etc.) is responsible for selecting, preparing, and implementing projects that are assisted by the World Bank Group, and for complying with

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9. Mali: Natural Resource Management Project; India: Andhra Pradesh Forestry Project; Benin: Borgou Region Pilot Rural Support Project; and Nepal: Rural Infrastructure Project.

10. The discussion is taken largely from the Discussion Note entitled “Safeguard Policies: A Framework for Improving Development Effectiveness,” ESSD/OPCS, October 7, 2002 (Reference 5).

Bank Group policies, including those on safeguard and disclosure. Bank Staff inform, advise and support borrowers in carrying out their responsibilities.

2.12 Further information on the key elements of the policies and how they are triggered within the project cycle is provided in Box 1 and Annex 1.

### **Box 1: Safeguard Policies**

The policy on **Environmental Assessment** provides the framework for the screening of projects, mitigation of potential impacts, disclosure and consultation, and capacity building.

The **Natural Habitats** policy is concerned with avoiding, minimizing and mitigating damage to natural habitats. It forbids the funding of activities in critical natural habitats.

The **Forests** policy promotes the sustainable management of forests, while protecting the rights and welfare of people dependent on forests. It limits financing of commercial harvesting and prohibits financing of conversion of critical forest habitats to plantations.

The **Pest Management** policy promotes biological and environmental pest management (Integrated Pest Management—IPM) where possible, and limits the selection and use of chemical pesticides. A Pest Management Plan may be needed.

The **Involuntary Resettlement** policy applies whenever land is taken resulting in relocation, loss of shelter, loss of assets, or loss of livelihood. The policy specifies the need to, at least, restore past income levels, and the need for consultation. Where a need for resettlement has been identified, a Resettlement Action Plan (RAP) must be prepared, agreed and implemented, while a Resettlement Action Framework (RAF) is used in cases where needs may be identified in the course of project implementation.

The **Indigenous Peoples** policy aims to ensure that the development process fosters full respect for the dignity, human rights and cultural uniqueness of such people, through informed participation. An Indigenous Peoples' Development Plan (IPDP) is prepared, agreed and implemented.

The **Cultural Property** policy seeks to avoid harm to significant, non-replicable cultural property, and provides guidance in the case of chance finds.

The **Safety of Dams** policy provides detailed procedures for reviewing the design, construction and operation of new dams over 15 m in height, together with simpler procedures for small dams and for existing dams, any failure of which could harm the project.

The policy for **Projects on International Waterways** applies to any project which involves the use or potential pollution of an international waterway, such as a trans-boundary river, and may require notification of project details to other riparians.

The policy on **Projects in Disputed Areas** sets out conditions under which a project in an area claimed by another country may go ahead.

It should be noted that all of the safeguard policies were adopted before the Bank's recent emphasis on CBD/CDD and thus they include no specific provision for CBD/CDD projects.

Category 'A' projects require a "full" Environmental Impact Assessment (EIA), followed by supervision and monitoring of the potential impacts, while EA for 'B's and 'FI's may involve

any of a number of document types, depending on the nature and extent of the issues raised. Cs generally need only a brief analysis in the appraisal document.

2.13 The cornerstone policy is OP 4.01 on **Environmental Assessment** (EA) which, to some extent, provides an umbrella for the other safeguard policies, especially for the medium-and low-risk projects. This policy applies to all Bank investment lending and requires that each proposed operation be screened into one of four EA categories:

- Category A: the project is likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented.
- Category B: the project's potential adverse environmental impacts on human populations or environmentally important areas are less adverse than those of Category A.
- Category C: the project is likely to have minimal or no adverse environmental impacts.
- Category FI: the project involves investment of Bank funds through a financial intermediary in sub-projects that may result in adverse environmental impacts.<sup>11</sup>

2.14 For 'A', 'B', and 'FI' projects, strengthening of borrower capacity to implement agreed safeguard measures, including screening of sub-projects and mitigation of their adverse impacts, is an integral part of project design. While disclosure of EA documents to project affected groups, the Infoshop and the Bank's Board, are encouraged for all projects, specific requirements apply for 'A' projects and IDA 'B' projects with a separate EA report.<sup>12</sup> BP 4.01 describes the role of various units within the Bank in implementing the policy, including that of the regional environment units,<sup>13</sup> which (for the period under review) had to clear PCDs for all operations and Decision/ Negotiations Packages for 'A's, 'B's and 'FI's.<sup>14</sup>

## CURRENT POLICY DEVELOPMENTS

2.15 Guidance on the use of the 'FI' category from QACU and LEGEN and, consequently, the practices of the Regions have not been entirely consistent in the period since that category was introduced in September 1998. The Review understands that there is an ongoing discussion on the assignment of 'FI' category for most CBD/CDD projects, but full guidance has yet to be issued.

2.16 The Bank is looking at ways to streamline the application of safeguard policies by delegation both within the institution and to national authorities. Since October 2003, task teams have been delegated full responsibility for carrying out safeguard actions agreed at the PCD stage for 'B' projects (with the regional safeguards coordinators signing off on decision packages only for certain projects deemed "risky"). At the national level, the capacity of

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11. See para. 4.4 for a discussion of the problems that have been encountered in interpreting this definition.

12. See para. 4.11 for a discussion of problems in implementing these provisions.

13. Now called the Regional Safeguards Coordinator, to emphasize the integrated approach for environmental and social safeguard policies.

14. Since July 2003, clearance of the safeguards provisions of Decision/ Negotiations Packages for low-risk projects, 'B's and 'FI's has been delegated to the task teams.

national environmental agencies and the adequacy of their procedures have been assessed in a number of countries and some experiments have been carried out for delegating to them full or partial responsibility for ensuring compliance with the Bank's safeguards policies (see Box 5 for an example). Comments are being received on a Discussion Note proposing to expand this practice (Reference 5).

## **SCOPE OF REVIEW**

2.17 In the document review, the following areas were evaluated:

### **Quality at Entry**

- Appropriateness of EA category
- Quality of Appraisal
- Covenants
- Safeguard Instruments
- Other Policies
- Public Disclosure and Consultation
- Capacity Building
- Monitoring

### **Quality during Implementation**

- Supervision
- ICR
- PPAR

### **Overall Project Quality**

For each area, a number of questions were developed to capture details of the extent of compliance (Annex 3a).

### 3. The Sample Portfolio

#### SAMPLE CHARACTERISTICS

3.1 As described in the CBD/CDD Study, the universe of CBD/CDD projects was defined very broadly, to capture all those projects with some CBD/CDD elements or features, resulting in a list of 847 projects. From these, approximately 10% were selected at random, resulting in a sample of 84 projects for detailed review.

3.2 Because of the broad definition of CBD/CDD used, which includes some projects with only minor CBD/CDD aspects, the sample projects are somewhat heterogeneous. However, they may be divided into two broad groups:

- **CBD/CDD with subprojects (CBD/CDD-S)** (76 percent of the sample): CBD/CDD projects for which the majority of investment funding is for a large number of small and scattered subprojects. Such subprojects may be multisectoral or may be limited to a single sector, such as health or education.
- **Other Projects (CBD/CDD-NS)**: Projects that have CBD/CDD aspects or components but do not fit the definition above.

3.3 As will be seen later in the report, this distinction is potentially useful for reaching generalized conclusions. The “CBD/CDD-S” projects are somewhat homogeneous, with the following characteristics relevant to safeguard issues:

- Overall project size—small to medium
- Often aimed at rural development
- Numerous, scattered sub-projects
- Nature and scope of sub-projects not known at the time of appraisal
- Sub-projects selected by a community-driven mechanism
- Implementation governed by an Operational Manual (OM) or equivalent
- Monitoring and evaluation (M&E) mechanisms fairly elaborate to capture the quantity and quality of project outcomes

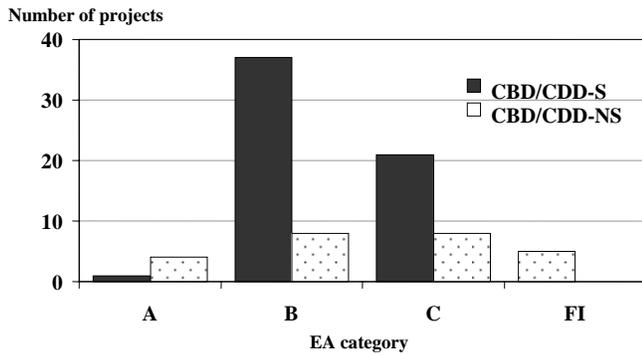
3.4 From a safeguards point of view, individual sub-projects in the CBD/CDD-S group are unlikely to have major environmental or social impacts. However, the cumulative impact of a large number of similar sub-projects may be significant (see para. 4.46). Also, as decision-making is decentralized, there is some danger that potential impacts will not be recognized and suitably minimized or mitigated. Project designers, therefore, need to develop a robust system for screening proposed sub-projects for their potential environmental and social impacts (possibly excluding proposals with excessive impacts) and design simple measures to avoid, minimize or mitigate any identified potential impacts. Clear procedures need to be set out in OMs, with responsibilities assigned for each step. In appraising such projects, the Bank needs not only to satisfy itself that appropriate procedures are proposed but, even more importantly, that adequate human capacity exists—or can be built under the project—to ensure that the procedures are adequately implemented. Finally, a robust M&E

system will need to be established to cover the implementation of safeguard measures, as well as other aspects of project implementation. Where ensuring safeguards compliance results in identifiable additional costs, these should be estimated and included in project cost estimates.

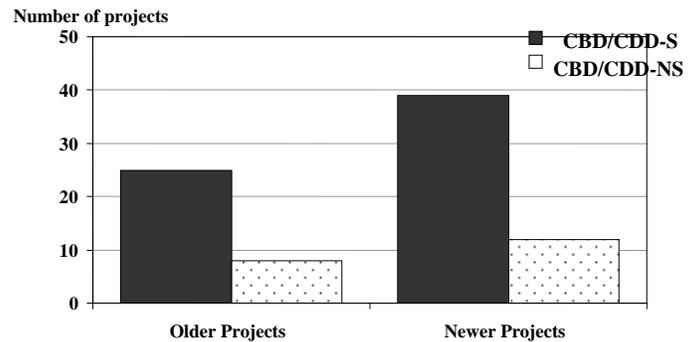
3.5 The “CBD/CDD-NS” group, which includes 24% of the sample, is much more diverse, with some “one of a kind” examples,<sup>15</sup> and generalizations are not possible. Potential environmental and social impacts need to be assessed and mitigated on a case-by-case basis.

3.6 Figures 1-4 show some characteristics of the sample.

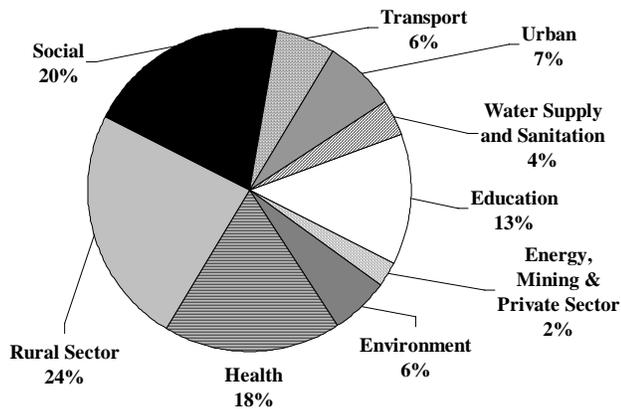
**Figure 1: Breakdown by EA Category**



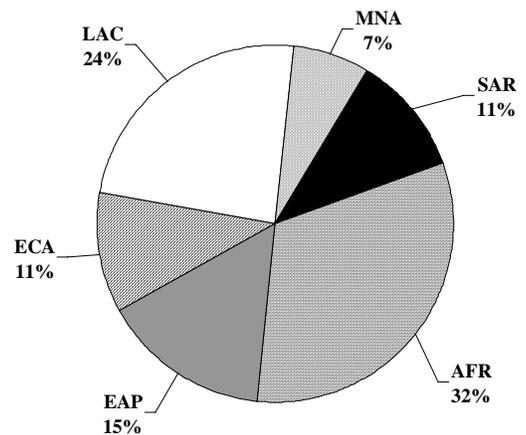
**Figure 2: Breakdown by Project Age**



**Figure 3: Breakdown by Sector**



**Figure 4: Breakdown by Region**



As can be seen, the sample is quite diverse. In addition to the expected CBD/CDD projects in rural and urban development, social, health, and education, there are a few projects in transport, water supply and sanitation, environment, and even the energy sector. Project sizes

15. For example, *Honduras: Interactive Environmental Learning and Science Promotion Project*.

also vary enormously, from \$4 million loan/credit amount to \$500 million. Projects were also classified by age to test the hypothesis that application of the safeguard policies has improved over time—the range of approval dates is FY89 to FY03. Use of the SAR format rather than the PAD was used as a proxy for age. Older projects are those using the SAR (generally before 1998), while newer projects are those using the PAD format.

### **PROJECT RATING SYSTEM**

3.7 Project characteristics (described in Chapter 1 and Annex 3a and 3b) were rated according to a six-point scale:

- Highly Satisfactory (HS)
- Satisfactory (S)
- Moderately Satisfactory (MS)
- Moderately Unsatisfactory (MU)
- Unsatisfactory (U)
- Highly Unsatisfactory (HU)

3.8 The definitions of the above rating categories are given in Annex 3b, along with some additional definitions for specific characteristics. The rating categories were developed after considerable analysis and care was taken to ensure consistent treatment across the sample through joint reviews of the matrix referred to in para. 1.9.

## 4. Safeguard Review Findings

### QUALITY AT ENTRY

#### Appropriateness of EA Category

4.1 The definitions of EA categories are given in Chapter 2. Table 1 shows the distribution of EA categories for the CBD/CDD sample compared with that for all Bank projects.

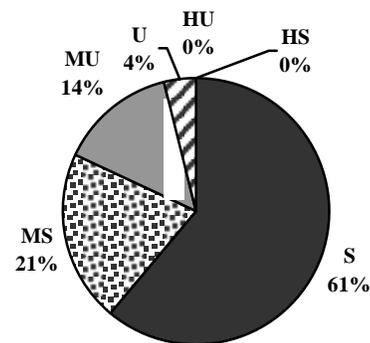
**Table 1. Number of Cases**

EA Category	Bankwide %	CBD/CDD Sample %
A	10	6
B	60	54
C	20	34
FI	9	6

4.2 Thus, the sample is not dissimilar to the Bank average. The percentage of ‘A’s is lower, as ‘A’ projects tend to be heavy infrastructure, energy or industry projects, which are less likely to contain CBD/CDD elements (but, given the broad definition of CBD/CDD used for this study, some cases do occur). The proportion of ‘B’s is similar. The sample percentage of ‘C’s would be closer to the Bank average were it not for a serious problem of misclassification (see below). The percentage of ‘FI’s is lower than the Bank average, whereas one would expect a much higher figure, since one would expect most CBD/CDD-S projects since 1999 to be in this category. Possible reasons for this misclassification are outlined below.

4.3 Using the definitions set out in Annex 3b, the review rated Appropriateness of EA category as shown in Figure 5. Over 80% of the projects in our sample were classified correctly. However, assignment of the appropriate EA category<sup>16</sup> remains a problem for CBD/CDD projects, as shown by the percentage of MU (14%) and U (4%) evaluations.

**Figure 5: Appropriateness of EA Category**



4.4 Table 2 shows that the category assignments were appropriate for the five ‘A’ and four ‘FI’ projects but that a significant percentage of the projects classified as ‘B’ (9%) and ‘C’ (38%) were misclassified (the figure for ‘B’s rises to 50% if the lack of use of the ‘FI’ category is included).

- The most consequential finding is that two rural sector projects in China (*Shanxi Poverty Alleviation* and *Anning Valley Agricultural Development*) clearly should

16. Since 2000, the situation has been further complicated by the use of a Safeguards Category (S1, S2, S3, and SFI), which combines the EA category with the potential impact of other safeguard policies. These ratings have not been evaluated for the CBD/CDD sample because: (a) they are available only for the most recent of the sample projects; (b) as an element of “good practice” rather than a requirement of the safeguard policies, the S ratings have a less formal status and are not recorded in the databases used by this review; and, (c) in a great majority of cases, they correspond directly to the EA category (S1 = A etc.)

have been ‘A’ rather than ‘B’, with implications both for the scope and detail of the required EA work and the degree of public disclosure and consultation. A later rural project in China in the sample was classified ‘A’, indicating that previous practice had been rethought. Further details are given in Box 2.

- The other example of a ‘B’ that should have been ‘A’ was *Venezuela: Caracas Slum Upgrading*, where the need for major resettlement and encroachment on a national park should have indicated an ‘A’ rating. However, the actual EA work done in this case was more substantial than in the China cases<sup>17</sup>.
- *Mali: Natural Resource Management Project* is an instructive case of a project being wrongly classified.<sup>18</sup> The project in early 1991 was classified as Category D. According to OD 4.00, October 1989, Category D projects were Environment Projects for which EAs may not be required as environment would be a major focus of the project. However, in October 1991, OD 4.01 was issued, which eliminated Category D. Consequently the project was reassigned to Category C. No EA was prepared and resettlement and IP issues were ignored, even though the project involved changing the boundaries of a national park. Category A would have been more appropriate. OED’s PPAR has flagged this and consequently rated the Bank’s Performance as Unsatisfactory.
- The most prevalent problem was the high proportion (38%) of ‘C’s that should have been ‘B’s or ‘FI’s, generally because potential negative environmental (rarely social) impacts were not recognized during preparation. These overlooked impacts included physical impacts of urban and rural development and education programs and impacts of medical waste disposal in health projects. This last problem is further analyzed in Box 3. Assignment of ‘C’ category at the PCD stage generally means that no further work is done to identify and mitigate impacts and there is no further review by safeguard specialists, so that even the inclusion of simple design and construction guidelines in Operational Manuals may be overlooked.

**Table 2. Appropriateness of EA Category**

<i>EA Category*</i>	<i>HS</i>	<i>S</i>	<i>MS</i>	<i>MU</i>	<i>U</i>	<i>HU</i>	<i>Total</i>
<b>Number of Cases</b>							
A	0	5	0	0	0	0	5
B	0	23	18	1	3	0	45
C	0	18	0	11	0	0	29
FI	0	5	0	0	0	0	5
Total	0	50	18	12	3	0	84
<b>Percentage of Cases</b>							
A	0	100	0	0	0	0	100
B	0	51	40	2	7	0	100
C	0	62	0	38	0	0	100
FI	0	100	0	0	0	0	100
<b>Total</b>	<b>0</b>	<b>61</b>	<b>21</b>	<b>14</b>	<b>4</b>	<b>0</b>	<b>100</b>

\*As assigned at appraisal there were three projects for which the category was subsequently changed.

<sup>17</sup> The region does not agree with this finding, maintaining that resettlement of over 2000 people did not generate sensitive, diverse or unprecedented inputs and that the project helped reduce the issue of encroachment on the park.

<sup>18</sup> *Mali Natural Resource Management Project* is outside the project sample but was recently assessed by OED.

## **Box 2: Safeguards Classification: The Case of China**

According to OP 4.01, Environmental Assessment, a project is classified as ‘A’ “if it is likely to have significant adverse environmental impacts that are sensitive, diverse or unprecedented.” “Sensitive” is further defined to include irreversible impacts and issues covered by the policies on indigenous people, natural habitats, cultural property and involuntary resettlement. Thus, Category A is the default option for major infrastructure projects, though this may be lowered to ‘B’ in cases where the works are mainly of a rehabilitation nature.

Projects which change land use over a significant area are likely to have complex and long-term impacts on the environment—on soils, surface and groundwater, and on natural habitats—which often require the detailed analysis and mitigation measures which accompany an ‘A’ classification. Because stakeholder interest in these kinds of projects, from potential beneficiaries and local and international NGOs, is often high, Bank procedures for ‘A’ projects require disclosure of draft environmental assessments and consultation with relevant stakeholders before final decisions are made on project design and financing.

Three rural sector projects in China illustrate the problems that can arise when the Bank and the Borrower have different views of the nature and extent of potential safeguard issues and the appropriate means of dealing with them.

The Shanxi Poverty Alleviation Project of 1996 and the Anning Valley Agricultural Development Project of 1998 belong to a series of provincial-level rural development projects, with a multisectoral, regional focus. Typical components include: irrigation, land development, water supply, rural roads, soil conservation, afforestation, livestock, horticulture and agro-processing. Both projects were classified as ‘B’ and, according to the appraisal documents, “the project’s environmental and social impacts are beneficial and the potentially adverse impacts are confined to the agro-processing plants “ (Shanxi) and “the project is expected to have minimal negative environmental impacts.” (Anning). Accordingly, little was done in the way of environmental assessments and management plans. Yet Shanxi includes 30,000 ha of new irrigation development and Anning a dam 58 m high—either of which would be a stand alone ‘A’ project in a smaller country.

The number of other safeguard policies which were (or should have been) triggered provides an additional reason for an ‘A’ classification: natural habitats, dam safety, pest management, indigenous people (ethnic minorities) and (especially) involuntary resettlement, which the Bank regards as highly sensitive. Both projects are now nearing completion. Bank supervision has been duly diligent on resettlement and pest management, with less evidence of attention to physical environmental impacts and dam safety. This less than satisfactory result might have been avoided had these projects been classified as ‘A’ and comprehensive Environmental Management Plans prepared and implemented.

The Sustainable Forestry Project of 2002 post-dates the Inspection Panel decision on the Western China Poverty Reduction Project, which found serious deficiencies in the Bank’s application of its safeguard policies, including the classification of projects supporting significant changes in land use. The Sustainable Forestry Project includes a component for forest plantations on 173,000 ha. The Borrower felt that the appropriate classification would be ‘B’ (as previous forestry projects had been) but Bank environmental staff, in the region and at the center, felt that there was a strong case for ‘A,’ which was accordingly decided. Independent experts were therefore engaged to produce a full Environmental Assessment (EA), in accordance with OP/BP 4.01. This was disclosed locally, to the Infoshop and to the Board, prior to appraisal departure. However, several months later, a “Revised” EA was prepared (by the project agency) and this is the document referred to in the Loan Agreement as mandated for use in the project. It does not appear that this revised EA was disclosed, except to the Infoshop. It contains at least one significant change to the original document—there is no longer a need for proposed plantation sites to be reviewed by a qualified biologist prior to inclusion in the program, in order to ensure that no critical habitats or ecosystems are destroyed. This last point was one of the main concerns of the environmental staff at the classification discussion.

Lessons from this experience include:

- The Bank needs to maintain control of the interpretation of its policies, especially on sensitive issues such as the classification, disclosure and consultation provisions of the EA policy.
- Insistence by the Bank on strict compliance with its policies will have limited effect unless the Borrower is also convinced of their value, indicating a need for greater outreach efforts.

- Since the issuance of OP 4.01 in January 1999, a fourth category—'FI'—has been available, for projects involving “investment of Bank funds through a financial intermediary.” Unfortunately, the term “financial intermediary” was not defined in the OP and its interpretation has varied. Some Regions have restricted the 'FI' category to projects involving on-lending of Bank funds through a banking institution, while others have applied it to all projects where funds are channeled through a central source to sub-projects that are not known at the time of appraisal. QACU and LEGEN are now leaning toward the latter definition (as the mechanism for cost recovery should not influence the type of environmental procedure to be followed), though new guidance has yet to be issued. Under this broader definition, most if not all, of the CBD/CDD-S projects approved later than 1999 should have been 'FI'.
- Given the conflicting guidance given to Regions on the 'FI' definition, correct classification was given less weight in this Review than the appropriateness of the EA procedures adopted in evaluating the sample projects. In some cases, procedures equivalent to 'FI' were adopted; in others, assignment of a 'B' category induced a “B mindset,” concentrating attention on documentation to be produced before Board approval, rather than on appraising the capacity of the project agencies to screen sub-projects, analyze their potential impacts and design and implement mitigation measures, and on specifying the needed institutional strengthening and monitoring systems.

### **Box 3: Medical Waste**

Typically, health projects supporting health education, nutrition, institutional development, technical assistance and human resource projects are placed in Category C because they are unlikely to have adverse environmental impacts, or their impacts are likely to be insignificant. However, health projects supporting immunization programs, basic packages of drugs and syringes, and laboratory services for infectious diseases including AIDS, raise concerns about the safe collection, storage and disposal of medical waste. Firstly, unhygienic handling of wastes within the health centers poses a threat to the medical staff, patients and visitors. Secondly, improper handling of wastes outside the health centers exposes scavengers and poor households to contaminated products, causing serious threats to their health. Thirdly, hospital waste water could also transmit some diseases such as cholera to the surrounding neighborhoods. These projects are therefore properly categorized as 'B' projects.

In our sample, safe disposal of medical waste was an issue in about ten projects. Of these, one half were Category C the other half were Category B projects. All of the projects in Category C were approved prior to FY 2000. Only one these early projects, Honduras Nutrition and Health Project of 1993, was Category B. In this project, medical waste was recognized but only as a trial issue and no medical waste management plan was prepared.

Both *Kenya Sexually Transmitted Infections Project* of 1995 and *Guinea-Bissau National Health Development Program Project* of 1998 were Category C projects. They included components that would provide basic drug package, vaccines, needles for STDs, tuberculosis and HIV-related infections. These projects did not adequately consider the challenges of safe disposal of contaminated medical waste and should have been Category 'B' projects.

*China Disease Prevention Project* of 1996, despite being a Category C project, aptly recognized that the immunization program will add to the number of needles and syringes that would have to be collected or disposed. According to the appraisal report, the participating provinces will collect and dispose of needles and syringes separately from general household wastes using procedures in accordance with WHO's recommended policy. The project included training in disinfections and destruction of needles. There was no monitoring mechanism or loan covenant that ensured that participating provinces complied with the WHO policy of safe disposal of syringes.

Provisions for medical waste have considerably improved for more recent projects. Senegal: HIV/AIDS Prevention and Control Project (2002), Mozambique: HIV/AIDS Response Project (2003), and Sierra Leone: Health Sector Reconstruction and Development Project (2003) are all Category B, which is appropriate, as the most important environmental issue arising from these project is the proper disposal of medical waste. These projects include comprehensive medical waste management plans which describe the negative health impacts and mitigation measures. They discuss impacts on the biophysical environment—air pollution, especially during open air burning of waste, water pollution, and disposal in landfills. Capacity building measures, such as training activities for key players such as health staff, health care waste handlers, municipal collectors of waste, environmental inspectors, managers of public landfills are included. Monitoring of the implementation of the waste management plans is also discussed.

In conclusion, the treatment of medical waste in most of the earlier projects was weak and many of these should have been 'B's. Following a decision by AFR regional management to classify all AIDS projects as 'B', the most recent projects in the sample (i.e. projects approved since 2002) have satisfactory provisions.

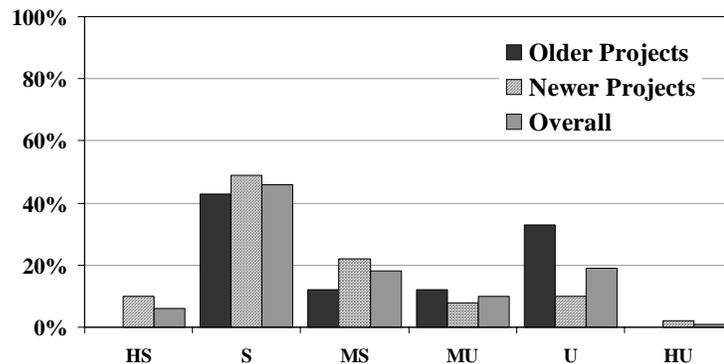
## QUALITY OF APPRAISAL

4.5 A rating of the appraisal documentation (SAR or PAD) with respect to the following factors was done, to assess its adequacy in:

- Flagging potential negative environmental and social impacts and whether any significant areas were missed.
- Identifying the safeguard policies “triggered” by the project.
- Summarizing the main lines of the approaches to be adopted by the project in avoiding, minimizing, and mitigating potential negative impacts, including any Environmental Management Plan (EMP) and measures to be included in Operational Manuals.
- Describing the disclosure and consultation processes followed prior to Board approval and to be followed during project implementation.
- Describing any required capacity building for project agencies.
- Outlining a monitoring system for measuring actual impacts.
- Estimating the cost of implementing the proposed procedures and including this in the project cost estimate.
- Following the process requirements of OP 4.01 (including disclosure of documents to the Board and Infoshop), especially for ‘A’s and IDA ‘B’s with a separate EA report.

4.6 Figure 6 shows that the proportion of positive ratings is moderately high at 70%, with five projects rated HS (and only one as HU). The “new” project group scored much better (81%) than the “old” group (55%). Among the reasons for this may be the much more specific requirements of the PAD format, as compared to the SAR.

**Figure 6: Quality of Appraisal**



4.7 Only two of the five ‘A’ projects rated MS and above (or two out of eight, if the three ‘B’ projects that should have been ‘A’s are included), whereas the percentage for the ‘B’ group was 70% and for the ‘FI’s 100%.

4.8 While the sample of ‘A’ projects is too small to draw firm conclusions, these findings of low compliance by ‘A’s differ from those of OED’s Extractive Industries Study, which found substantially higher safeguard compliance quality of ‘A’s than ‘B’s, presumably as a result of the greater attention given to the ‘A’ projects. For the CBD/CDD projects, there is no single explanatory factor for the unsatisfactory cases—age is one explanation, geography another (three of the expanded group of eight were in China), lack of attention to environmental impacts while producing a very good RAP, and disregard of the process requirements of OP 4.01 in two cases.

## Covenants on Safeguards

4.9 A lending covenant to ensure that safeguard instruments (EMP, RAP, IPDP, monitoring programs, etc.) are implemented has now become standard procedure for ‘A’, ‘B’, and ‘FI’ projects. In the CBD/CDD sample, only four (7%) of the relevant projects were lacking such an assurance<sup>19</sup> and even some ‘C’s had one. In many cases, the covenant required that the Operational Manual (OM) be satisfactory to the Bank and used for all project works, with the safeguard provisions incorporated in the OM. The wording of the covenants varied somewhat in comprehensiveness, accounting for the spread of satisfactory ratings.

## Safeguard Instruments

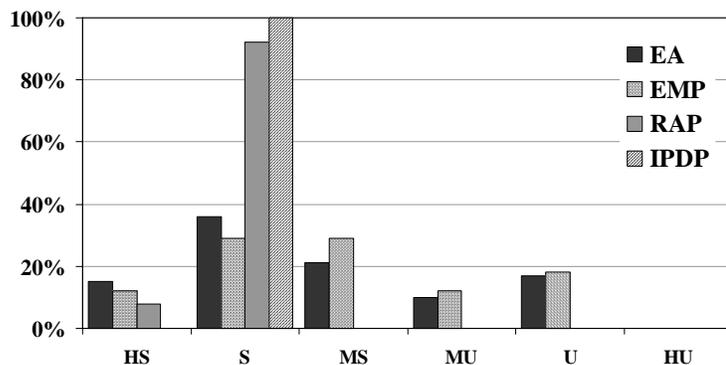
4.10 The principal instruments of concern are:

- Environmental Impact Assessment (EIA) (or a number of other environmental analyses)
- Environmental Management Plan (EMP)
- Resettlement Action Plan (RAP) or Framework
- Indigenous Peoples Development Plan (IPDP) or Ethnic Minorities Development Plan.

4.11 The quality of documents produced within these categories was rated as shown in Figure 7.

- Among the several potential instruments for environmental assessment, choices were appropriate in nearly all cases, the exceptions being mainly older projects.
- For each of the ‘A’ projects, EIA documents were prepared by experts independent of the project agency and the feasibility study, as required by OP 4.01.

**Figure 7: Safeguard Instruments**



- For the five ‘A’ projects, the quality of only two EA documents was rated MS or above. Others did not cover the full scope of the project or reached only general conclusions rather than an actionable set of specific recommendations.
- The process requirements for ‘A’ projects are rather strict—consultation with project-affected groups at the scoping and draft EIA stages, disclosure in the project area, to the Infoshop and to the Board prior to appraisal departure—and three of the five ‘A’s had

19. Three of these projects were “old” and two were in Indonesia.

material departures.<sup>20</sup> In a fourth case (*Madagascar: Rural Transport Project APL Phase 2*), the need for an EIA of a railway and port component prior to appraisal was appropriately waived by Bank management decision, without detriment to project quality (the EIA will be prepared in the first year of implementation).<sup>21</sup>

- Since the issuance of OP 4.01 in September 1998, “IDA B projects with a separate EA report” have been subject to process requirements very similar to those for ‘A’s. These provisions do seem to have been widely recognized and mainstreamed. Out of 20 IDA ‘B’ projects from 1999 onwards, only half (10) had separate EA reports. In most of the projects for which there is a separate EA report, process requirements have been met.<sup>22</sup> In two cases (Pakistan<sup>23</sup> and Nepal<sup>24</sup>), there is evidence of questionable practices to avoid this requirement.
- For ‘B’ projects as a whole, the percentage of MS and above on quality of EA is 74%. It should be borne in mind that the EAs in question range from a couple of paragraphs in the appraisal document to comprehensive, stand alone reports. Deficiencies include: focusing on one or two obvious potential impacts, rather than systematically analyzing all; lack of attention to capacity building and/or monitoring systems; and, lack of cost estimates.
- For ‘FI’ projects, and those CBD/CDD-S projects that have up to now been classified as ‘B’, emerging best practice is a Framework EIA prepared prior to appraisal, which discusses the main expected impacts from commonly encountered sub-project types, outlines identified capacity building and monitoring needs, and sets the stage for the drafting of a safeguards chapter in the OM.<sup>25</sup> However, this may be overkill for CBD/CDD projects with very limited impacts or for later projects in a series. Best practice for the latter would be an evaluation of experience under previous projects, but

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20. For *Central African Republic: Livestock Development*, there is no information on any consultation and disclosure. For the China and Mauritania projects, a draft EIA was disclosed prior to appraisal but a revised EIA (China) and an EMP (Mauritania) were produced later but apparently not disclosed or subjected to consultation.

21. A similar decision was made for one of the ‘B’ projects, *Peru: Second Rural Roads Project*. In the opinion of this review, an explicit decision to waive process requirements (for sufficient cause) is much preferable to obfuscating the issue, as was the case with some of the other ‘A’s.

22. This review recognizes that the “separate report” was perhaps an unfortunate choice of words to describe what is generally known as a “high B” (i.e. a project with significant potential impacts which falls somewhat short of an A definition) and that, whether a report is “separate” or not, is in the end an editorial decision. However, as this language was included at the request of a major shareholder, as a condition of an IDA replenishment, task teams are wise to take it literally.

23. For *Pakistan: North West Frontier Province On-Farm Water Management Project*, rather than the separate EA report that a project of this type and size would have warranted, a “rapid screening and scoping exercise” was done, with detailed EAs for each component to be prepared after Board Approval but prior to implementation.

24. *Nepal: Rural Infrastructure Project* was not part of CBD/CDD sample but was included in the review as it draws from OED’s ICR evaluation. The project should have been classified as ‘B’, and EA work of ‘B’ standard was indeed done. However, it was assigned Category C, possibly to avoid the process requirements for an IDA ‘B’ with separate EA report. It was a Learning and Innovation Loan (LIL).

25. Reference 10 has a good discussion.

this was rarely encountered in this sample. In fact, the tendency was for successor projects to do little or no new work on safeguards prior to appraisal.

- Only a limited number of OMs were reviewed. All made some provision for safeguard issues, though, in about a third, the level of detail was insufficient.
- For ‘C’ projects, most have no legal requirements beyond the “due diligence” language of Sec. 3.01, though some include procedures in an OM, as would a ‘B’.
- Although the numbers of projects in each region are too small to draw firm conclusions, EAP and LAC appear to have more problems of EA quality.
- The quality of environmental instruments (EIA and EMP) was distinctly lower than for RAPs and IPDPs. One reason may be the greater possibilities for standardization in the last two categories, whereas environmental issues tend to be more project specific. However, that is not the case for many CBD/CDD-S projects, which could benefit from transfer of knowledge from previous similar projects. Another reason may be better networking within the social development family.

### Other Policies Triggered

4.12 Table 3 shows the extent to which policies other than OP 4.01 were triggered or might have been triggered<sup>26</sup> in the CBD/CDD project sample. OP 4.01 is omitted since it was, by definition, triggered in all cases.

4.13 The fact that the number of cases where policies should or might have been triggered slightly exceeds those where they were cited is a cause for concern. However, the ratio is better for those policies most subject to outside

scrutiny—Involuntary Resettlement and Indigenous Peoples.

4.14 Since its inception and as of May 1, 2003, the Inspection Panel has received 27 formal requests. Most of the requests are alleged violations of environmental and social policies.<sup>27</sup> There have been 17 cases concerning

**Table 3. Safeguard Policies Triggered in CBD/CDD Projects**

<i>Policy</i>	<i>Cases Triggered</i>	<i>Potential Additional Cases</i>	<i>Total</i>
Natural Habitats	7	10	17
Forestry	5	3	8
Pest Management	6	10	16
Involuntary Resettlement	14	8	22
Indigenous Peoples	11	7	18
Cultural Property	5	4	9
Dam Safety	4	8	12
International Waterways	2	6	8
Disputed Areas	0	0	0
Total	54	56	110

26. This rating was developed based on the limited amount of material presented in appraisal documents. At the least, the applicability of the policy should have been discussed (as is now “forced” by the PAD format).

27. During the late 1980s and early 1990s, the Bank was under pressure by civil society and some key government agencies over a number of its projects for possible failure to recognize negative environmental and social impacts. The Bank created the Inspection Panel 1993 to “provide an independent forum to private citizens who believe that they or their interests have been or could be directly harmed by a project financed by the World Bank.” World Bank, 2003. “Accountability at the World Bank—The Inspection Panel, 10 Years On.”

environmental assessment, 14 for involuntary resettlement and 13 regarding indigenous people. There were fewer cases concerning cultural property (5), forestry (4), natural habitats (3), pest management (2), and safety of dams (2).

4.15 The number of projects where the **involuntary resettlement** policy was triggered was 14 (17%), which is perhaps surprisingly high for a type of project (CBD/CDD) that would not readily be associated with resettlement (only 4 of the 13 were CBD/CDD-NS). Nevertheless, resettlement issues were uniformly handled well, with a RAP or Resettlement Framework prepared, rated S or better in each case.

4.16 However, for another eight (mostly older) projects, potential resettlement issues ought to have been discussed and perhaps a Resettlement Framework prepared. In one of these, *India: Andhra Pradesh Forestry*, involuntary resettlement did occur during implementation, though it was not recognized by supervision or ICR missions (see 4.38). Some of the earlier projects mention the need for land acquisition, without raising a possible resettlement flag. In a few cases, voluntary donation of land was expected. While, for some societies, this may well be workable, in other cases, there may be a coercive element.

4.17 Issues of **indigenous peoples** (IP) are also increasingly recognized, with many projects including components or activities to support them. The IP policy was triggered in 11 projects and might have been applicable in 7 others. The definition of IP in the policy is rather narrow (“social groups with a social and cultural identity distinct from the dominant society that makes them vulnerable to being disadvantaged in the development process”) and may not strictly apply to all vulnerable minorities (e.g., ethnic minorities in China, or tribal groups in South Asia or Africa).<sup>28</sup> However, the principles of the IP policy can and are being applied to such groups, for example, in the Ethnic Minority Development Plans being used in China. For each of the 11 cases where the policy was triggered, an IPDP or equivalent was prepared and all were rated S on quality.

4.18 All projects that involve changes in land use—such as plantation forestry, conversion of rain-fed or swamp land to irrigated agriculture, or some types of urban development—should be checked against the **natural habitats** policy, to ensure that critical habitats are not damaged or destroyed. As the figures in Table 3 show, this is often not the case, especially when the project is perceived to have substantial environmental benefits.

4.19 The **forests** policy is important not only for the two forestry projects in the sample<sup>29</sup> but also for CBD/CDD projects with reforestation components. While it is unlikely that major impacts were missed by not discussing the applicability of the forestry policy, it should be noted that the potential impacts of planting exotic species were generally overlooked.

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28. The policy was designed for groups like the Amazonian Indians who are completely outside the dominant culture and are highly vulnerable to exploitation. This is clearly less the case in Africa, where the different tribes have a similar level of culture but different languages, or in Asia, where tribal people may be at a disadvantage but not enormously so.

29. One of which, however, did not cite it—*India: Andhra Pradesh Forestry*.

4.20 Lack of attention at appraisal to issues of **pest management** was fairly widespread in this sample, though this was rectified during implementation in a couple of cases. The applicability of this policy should be discussed for every agricultural project.

4.21 **Dam Safety** was another sleeper issue. While the provisions for the construction of new, large dams are generally followed (however, see para. 4.35 for lack of follow up in supervision), this is often not the case for smaller dams or for existing dams on which the project depends for water supply or failure of which could damage the project.

4.22 Recognition of the requirements of the **international waterways** policy is also limited, despite the fact that most rivers in Africa and ECA, and many in LAC, MNA and South Asia are international. While typical CBD/CDD sub-projects are unlikely to have a significant impact on the quantity or quality of flow to downstream countries, the applicability of the policy should at least be discussed in such cases.

### **Public Disclosure and Consultation**

4.23 OPs 4.01, 4.10 and 4.12 provide specific requirements for the disclosure of safeguard instruments to project-affected groups, the Infoshop, and the Board, as does BP 17.50. As noted above, compliance is generally good with respect to RAPs and IPDPs but less so with respect to EAs and EMPs, even for 'A' projects, and for some IDA 'B's with a separate EA report. For other 'B's, where consultation is not a requirement, it is rarely undertaken, even for CBD/CDD projects designed for a high level of participation. *Honduras: Reconstruction and Local Development* and *Tunisia: NW Mountainous and Forest Area Development* are exceptions.

4.24 Very few appraisal documents attempt to define carefully which groups might be potentially affected. In some cases, officials were consulted but not villagers; in others, international NGOs but not local ones. For the overall sample, only 27% of projects are rated MS and above on disclosure and consultation.

### **Capacity Building**

4.25 Leaving aside 'C' projects, about 60% of the sample projects made some provision for building capacity for identifying and minimizing environmental and social impacts at either the local or provincial/ national levels or both.<sup>30</sup> For CBD/CDD Projects, where decision-making is highly decentralized, developing capacity at the local level is generally the most critical need though, for safeguard compliance, it may be more cost-effective to consolidate capacity at the provincial or even national level.

4.26 Typically, capacity building in the sample projects was through the appointment of specialist staff and/or training project staff in methods for screening sub-projects, mitigating potential negative impacts, and monitoring implementation performance. Occasionally, legal

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30. As appraising institutional capacity is a primary focus of the preparation of 'FI' projects, this finding tends to mitigate the finding cited earlier about the large number of 'FI' projects misclassified as 'B'.

instruments were developed. In *Ethiopia: Pastoral Community Development Project*, the project financed a training program for local government officials and other stakeholders on how to use the screening and monitoring process and to mainstream environmental concerns in project design. *Peru: Rural Roads Project* strengthened environmental capacity by creating permanent positions for environmental specialists, and introducing on-the-job training for staff in field offices.

4.27 In *Senegal: Social Development Fund Project*, the project appraisal committee was to be trained to be able to apply the environmental criteria and to propose adequate actions to be carried out by the communities under their micro-projects or sub-projects, as necessary. Training regarding environmental issues will also be provided to the NGOs which will support communities. In *Sierra Leone: Health Sector Development Project*, the project is financing the training of environmental inspectors and health providers of the four districts in medical waste management.

4.28 For the projects with capacity building provisions, a high 92% were rated MS and above. However, see para. 4.35 for lack of follow-up at supervision.

### **Monitoring**

4.29 Provisions for monitoring were made for 67% of the non-'C' projects but the quality was rather variable, with 81% of cases rated MS and above (4 out of 5 for the 'A' projects). In many cases, no distinction was made between:

- Monitoring overall project outcomes
- Monitoring overall (ambient) environmental or social indicators
- Monitoring for unforeseen impacts
- Monitoring individual sub-project environmental and social indicators
  - Monitoring the effectiveness of the agreed processes

4.30 In many cases, details of the monitoring system were to be worked out during implementation but are not reported on in PSRs. Follow-up at supervision generally was weak (see para 4.35). Examples of projects with well developed monitoring systems include: *India: Uttar Pradesh Sodic Lands Reclamation*; *Indonesia: Second Water Supply and Sanitation for Low Income Communities*; and, *Senegal: Social Development Fund Program*.

### **Overall Quality at Entry**

4.31 A weighting of all the above factors was made to determine an overall quality at entry with respect to safeguard concerns. The range of outcomes is shown in Table 4.

**Table 4. Quality at Entry Ratings (%)**

	<i>HS</i>	<i>S</i>	<i>MS</i>	<i>MU</i>	<i>U</i>	<i>HU</i>	<i>Total</i>
<b>Ratings by EA Category</b>							
A	0	20	20	0	40	20	100
B	4	47	20	13	16	0	100
C	0	62	7	7	24	0	100
FI	20	20	60	0	0	0	100
<b>Ratings by Project Age</b>							
Older	0	42	12	12	33	0	100
Newer	6	53	22	8	10	2	100
<b>Ratings by CBD/CDD-S and CBD/CDD-NS</b>							
CBD/CDD-S	5	56	16	9	14	0	100
CBD/CDD-NS	0	25	25	10	35	5	100
<b>Ratings by Type of Lending Instrument</b>							
APL	0	64	21	7	7	0	100
LIL	0	67	0	0	33	0	100
SIL	4	49	18	10	19	1	100
<b>Ratings by Region</b>							
AFR	0	63	11	4	22	0	100
EAP	0	62	8	8	15	8	100
ECA	0	67	33	0	0	0	100
LAC	5	25	25	25	20	0	100
MNA	17	33	33	0	17	0	100
SAR	11	33	11	11	33	0	100
<b>Ratings by Sector</b>							
Education	0	73	0	9	18	0	100
Energy, Mining & Private Sector	0	0	50	50	0	0	100
Environment	0	40	40	0	0	20	100
Health	0	60	13	7	20	0	100
Rural Sector	10	25	20	20	25	0	100
Social	6	65	18	0	12	0	100
Transport	0	80	20	0	0	0	100
Urban	0	17	17	17	50	0	100
Water Supply and Sanitation	0	33	33	0	33	0	100

- In broad terms, about 70% of the sample was MS and above at entry, which is a disturbing result given the Bank’s current emphasis on “zero tolerance.”
- The small group of ‘FI’ projects were rated much better than average, while ‘A’s were distinctly worse than average.
- Apart from the issue of misclassification, reasons for projects being downrated vary widely and few generalizations are possible. However, newer projects are distinctly better than the older group—81% versus 54% MS and above.
- CBD/CDD-S projects also score better than CBD/CDD-NS - 77% versus 50% MS and above. As the CBD/CDD-S group projects follow a similar pattern, standardized approaches can be used for them. The CBD/CDD-NS projects group is more diverse and the reasons for downrating are generally project-specific.
- APLs showed somewhat higher quality at entry than standard investment projects. It should be noted that the APLs fall into the class of “newer” projects which showed better

results overall. The Regions have found it challenging to apply OP 4.01 to APLs, as it is not clear whether the EA category is intended to apply to the whole program or to the phase under consideration—in most cases, the latter definition is used. In many cases, the Phase I operation is preparatory in nature (and thus rated ‘B’ or ‘C’) while major works are scheduled for the second phase, possibly triggering an ‘A’ rating for that phase. However, knowing this can allow the EA work for the second phase to be funded and carried out under the first phase. The number of LILs (three) in the sample was too small to draw any inferences.

- In terms of Regions, AFR, ECA and MNA have the highest percentages of MS and above, while LAC and SAR have the lowest. However, SAR does have one HS example, as do ECA and MNA, while EAP has the only HU example.
- Between sectors, Transport, Social and Environment had the best results, while the Rural and Urban sectors had ratings well below average.

### **QUALITY DURING IMPLEMENTATION**

4.32 Information was gathered from Project Status Reports (PSRs) for most projects, from Implementation Completion Reports (ICRs) in 31 cases and Project Performance Assessment Reports (PPARs) for just four cases.

#### **Quality of Supervision Reporting**

4.33 PSRs nowadays provide boxes for assessing compliance against each of the safeguard policies separately and for Safeguard Management Performance as a whole, as well as a box for “Rating Explanation.” (Prior to 2001, there were three boxes: Environment, Environment Plan (i.e., EMP), and Resettlement). In addition, the sections on Critical Risks and Summary of Issues and Actions can be used, if needed, to report on safeguard problems and actions taken.

4.34 The last sentence of OP 4.01 reads: “The Bank bases supervision of the project’s environmental aspects on the findings and recommendations of the EA, including measures set out in the legal agreements, any EMP, and other project documents.”<sup>31</sup> One would therefore expect the extensiveness of such reporting to reflect the project category and the extensiveness of the work done at entry—high for ‘A’s, moderate for ‘B’s and ‘FI’s, and rather nominal for ‘C’s. We would argue that merely checking S, without further explanation, is not adequate, when the project involves implementation of an EMP, RAP or IPDP, just as the physical or financial performance of the project would warrant a detailed and careful assessment. For ‘FI’s, in particular, the real work of screening sub-projects and mitigating potential negative impacts takes place during implementation and feedback on how the agreed procedures are being executed is of vital importance.

4.35 Based on the rating system in Annex 3b, the adequacy of supervision is as shown in Table 5.

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31. Similar provisions are made in several of the other Safeguard OPs.

- Despite the 2001 PSR format changes, which should encourage complete reporting on safeguard issues, reporting remains sparse and inadequate. In the great majority of cases, little or nothing is said on the implementation of agreed safeguard measures or on any unforeseen problems.
- Only one-third of projects showed quality of supervision as MS or better, with little variation between Categories A, B and C. This is contrary to the expectation that ‘A’s should receive much more intensive scrutiny during supervision.
- As at entry, attention during supervision to resettlement and indigenous peoples issues appears to be better than for environment.
- Although dam safety was triggered in four projects (in Yemen, Burkina Faso, and two China projects), there is no evidence of any supervision follow up by dam safety specialists, a matter of some concern, given the possibly catastrophic consequences of inadequate implementation.
- Pest management was triggered in six cases (in China: Forestry, East Timor, Ethiopia, Mexico, Tajikistan and Tunisia) but there is no evidence of follow up by pest management specialists. However, such specialists were used in a number of other projects (China: Anning Valley, Pakistan) where the issue was not identified at appraisal.
- Despite the very good attention to safeguards capacity building and monitoring systems noted at entry (see paras. 4.28 and 4.29), there is almost no reporting in PSRs (and ICRs) on: (a) whether such actions have been implemented; and, (b) if implemented, their results. While such information may exist in project files, it will not necessarily be available to improve the design of similar projects elsewhere.
- Several of the projects (e.g., *Nigeria: Community Based Poverty Reduction; Poland: Rural Development*) have had special assessments of safeguards implementation, usually by specialist consultants, a practice that would be valuable to adopt more widely, especially where there are several CBD/CDDs in the same country. However, as such reviews are outside the normal supervision framework, their results may not be reported on in PSRs.
- Mid-Term Reviews would provide an opportune time in most cases to review the project’s success in implementing agreed safeguard measures, any unforeseen impacts and to ensure that any components added to the project meet the Bank’s safeguard standards.
- This Review understands that supervision missions are more likely to discuss issues in depth and to record the detailed findings of any environmental or social specialist in the mission’s Aide Memoire rather than the PSR. However, the Aide Memoire has a very limited circulation, while the PSR is the Bank’s permanent record of the project’s status and is readily available to all Bank staff. It should, therefore, contain all the key information about achievements and problems, perhaps with links to other documents for additional detail.

**Table 5. Quality of Supervision Reporting by EA Category (%)**

	<i>HS</i>	<i>S</i>	<i>MS</i>	<i>MU</i>	<i>U</i>	<i>HU</i>	<i>Total</i>
A	0	20	20	40	20	0	100
B	9	9	16	45	20	0	100
C	0	10	30	60	0	0	100
FI	0	0	0	100	0	0	100
Overall	6	9	17	52	16	0	100

## Quality of ICR Reporting

4.36 The current ICR format (and its predecessor) make no specific provision for reporting on safeguards compliance, a critical deficiency in the opinion of this review. However, the guidelines do suggest that safeguards compliance be reviewed under the Bank Performance heading (which is not entirely logical, as safeguards compliance is as much the borrower's responsibility as the Bank's).

4.37 Despite the guidelines, reporting is sparse, as shown below (using the rating system explained in Annex 3b):

- As Table 6 shows, the quality of analysis in ICRs is quite low, with the only 'A' project, 82% of the 'B's and 58% the 'C's being rated as less than MS.
- Because of this deficiency in reporting, valuable lessons are being lost, with possible impacts on the quality of successor projects.
- In most ICRs, there is no discussion of safeguard compliance at all. In others, there is a brief reference to the safeguard provisions at appraisal or a bland statement to the effect that all provisions were complied with.
- None of the sample projects is considered "best practice."
- By definition, all the projects in the ICR group are in the older part of the sample where, as we have already seen, safeguard issues were often given inadequate treatment at appraisal and supervision.

**Table 6. Quality of ICR Reporting by EA Category**

	<i>HS</i>	<i>S</i>	<i>MS</i>	<i>MU</i>	<i>U</i>	<i>HU</i>	<i>Total</i>
No. of cases	0	4	6	14	6	1	31
% of cases	0	13	19	45	19	3	100
Of which, A	0	0	0	0	0	100	100
B	0	0	18	27	55	0	100
C	0	21	21	58	0	0	100

## Quality of PPAR Reporting

4.38 Only four of the 84 sample projects have been subjected to OED assessments, two 'B's and two Cs. Of these, only two (*India: Andhra Pradesh Forestry*, a 'B' project, and *Benin: Borgou Pilot Rural Support*, a 'C') provide any analysis of safeguard issues and that is generally of good quality. In the first case, a major finding was that involuntary resettlement from forest areas had taken place without compensation, a fact which had been overlooked by supervision and ICR missions. For this reason, Bank Performance was rated as Unsatisfactory, in accordance with OED policy. Safeguard analysis is completely missing for the other two PPARs: *Brazil: Rural Development* and *Zimbabwe: Pilot Rural District Councils*.

4.39 OED follows the guideline that if there is any lack of compliance with safeguard policies during project preparation, appraisal or implementation, Bank Performance must be rated unsatisfactory. Even though the responsibility of safeguard implementation is with the borrower, yet compliance enforcement is the Bank's responsibility. Adequate coverage of safeguard issues in PPARs would be more likely if the PPAR format were to contain a specific sub-heading (or Annex) on the subject. OED's ICR review procedure does take into account compliance with safeguard policies in assessing the Bank's Performance.

## Quality of Implementation Rating

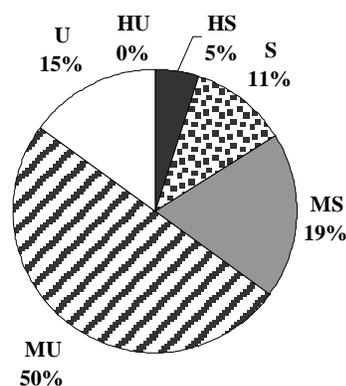
4.40 For projects under implementation, this rating was the same as the Supervision rating. For completed projects a weighting of the Supervision and ICR ratings (as well as the PPAR rating in those four cases) was made. Results are shown in Table 7 and Figure 8.

**Table 7. Quality of Implementation**

	<i>HS</i>	<i>S</i>	<i>MS</i>	<i>MU</i>	<i>U</i>	<i>HU</i>	<i>Total</i>
<b>Overall Quality of Implementation Ratings</b>							
No. of Cases	4	9	16	42	13	0	83
Percentage of Cases	5	11	19	50	15	0	100
<b>Ratings by EA Category</b>							
A	0	20	20	20	40	0	100
B	9	11	13	44	22	0	100
C	0	10	21	66	3	0	100
FI	0	0	60	40	0	0	100
<b>Ratings by Project Age</b>							
Older	3	6	12	48	30	0	100
Newer	6	14	24	51	6	0	100
<b>Ratings by CBD/CDD-S and CBD/CDD-NS</b>							
CBD/CDD-S	5	13	20	47	16	0	100
CBD/CDD-NS	5	5	15	60	15	0	100
<b>Ratings by Region</b>							
AFR	4	11	15	52	19	0	100
EAP	0	15	38	31	15	0	100
ECA	0	0	33	56	11	0	100
LAC	5	5	15	60	15	0	100
MNA	0	17	0	67	17	0	100
SAR	22	22	11	33	11	0	100
<b>Ratings by Sector</b>							
Education	0	9	18	73	0	0	100
Energy & Mining	0	0	0	50	50	0	100
Environment	20	0	20	40	20	0	100
Health	0	20	13	60	7	0	100
Rural Sector	5	5	25	45	20	0	100
Social Protection	0	12	18	53	18	0	100
Transport	20	20	20	40	0	0	100
Urban	0	17	17	33	33	0	100
Water Supply and Sanitation	33	0	33	0	33	0	100

- Given the sparse information in PSRs and ICRs, the above ratings are considerably less robust than those for entry and should be treated cautiously.
- For the total sample, only 35% of projects are MS and above, which should give cause for concern. This compares to 70% at entry.
- While the quality of the 'A' projects is slightly better than those of 'B's and 'C's, it remains disturbingly low, at 40% MS and above.
- While newer projects score much better than older, at 44% MS and above, they are still far from meeting Bank standards.
- As at appraisal, CBD/CDD-S projects are distinctly better than CBD/CDD-NS (38% versus 25%).
- In contrast to the Quality at Entry ratings, EAP and SAR score highest for quality of supervision of safeguard issues, with LAC and MNA scoring lowest.
- Sectorally, WS&S and Transport had the best record, with Energy, Mining & Private Sector, Social and Education scoring lowest.

**Figure 8: Quality of Implementation**



#### OVERALL PROJECT QUALITY

4.41 A weighted average of the Quality at Entry and Quality during Implementation was made to arrive at an Overall Project Quality rating (Table 8). For projects with significant issues at entry (including the 'A's), equal weighting was given to both stages. For projects where inadequate work at appraisal was being corrected by vigorous supervision, more weight was given to the quality of the latter stage.

- Although not analyzed numerically, there appears not to be a distinct inverse correlation between Quality at Entry and Quality during Implementation, that is, high-quality work at appraisal may be followed by less rigorous supervision (and vice versa).<sup>32</sup>
- For this reason, the spread of ratings in Table 8 is narrower than for the two components. There are no examples of HS or HU in the overall ratings.
- The overall proportion of projects MS and above is 70%, the same outcome as for quality at entry. However, this disguises the fact that the projects rated S and above slip from 52% at entry to 17% when implementation is considered and those rated U and HU climb from 20% to 33%.
- Regardless of statistical quirks, the result of 70% falls well below Bank expectations.

32. Examples of a high quality appraisal being followed by inadequate supervision include: *Azerbaijan Highway Project*; *Tunisia: North West Mountainous and Forest Areas Development Project*; and *Honduras: Fifth Social Fund*. Examples of the reverse situation include: *Dominican Republic: Provincial Health Project*; *Mauritania: Urban Development Project*, *Pakistan: North West Frontier Province On-Farm Water Management Project*.

**Table 8. Overall Project Quality**

	<i>HS</i>	<i>S</i>	<i>MS</i>	<i>MU</i>	<i>U</i>	<i>HU</i>	<i>Total</i>
<b>Overall Project Quality Ratings</b>							
No. of Cases	0	14	45	14	11	0	84
Percentage of Cases	0	17	54	17	13	0	100
<b>Ratings by EA Category</b>							
A	0	20	20	20	40	0	100
B	0	20	56	9	16	0	100
C	0	10	52	31	7	0	100
FI	0	20	80	0	0	0	100
<b>Ratings by Project Age</b>							
Older	0	9	36	27	27	0	100
Newer	0	22	65	10	4	0	100
<b>Ratings by CBD/CDD-S and CBD/CDD-NS</b>							
CBD/CDD-S	0	22	53	14	11	0	100
CBD/CDD-NS	0	0	55	25	20	0	100
<b>Ratings by Region</b>							
AFR	0	15	52	22	11	0	100
EAP	0	15	54	15	15	0	100
ECA	0	11	89	0	0	0	100
LAC	0	10	50	25	15	0	100
MNA	0	33	50	0	17	0	100
SAR	0	33	33	11	22	0	100
<b>Ratings by Sector</b>							
Education	0	9	64	27	0	0	100
Energy, Mining & private Sector	0	0	50	0	50	0	100
Environment	0	20	60	0	20	0	100
Health	0	13	60	13	13	0	100
Rural Sector	0	15	45	25	15	0	100
Social	0	18	65	6	12	0	100
Transport	0	60	40	0	0	0	100
Urban	0	0	33	50	17	0	100
Water Supply and Sanitation	0	33	33	0	33	0	100

- Between EA categories, the result for the small ‘FI’ sample is 100% MS and above, while ‘B’s and Cs are close to the average. The main concern is the very low percentage of ‘A’ projects, 40%, that is being handled well.
- Nevertheless, newer projects are closer to compliance than the older group—87% to 45%. While 87% is an encouraging result, it includes 65% in the MS category, indicating considerable room for improvement.
- ECA and MNA Regions achieved the best results overall, with the other Regions close to each other at a lower level.
- Among the sectors, Transport, Social, and Environment scored highest, and Urban lowest.

## OTHER ISSUES

### Multi-Component Projects

4.42 While OP/BP 4.01 is relatively silent on how to screen and assess multi-component projects, the practice has been that the project category is determined by the component with the most significant potential negative impacts. When this results in assignment of Category A, the EIA should cover the whole project, with disclosure to and consultation with groups potentially affected by all project components. While this practice works well when all project components are well defined from the PCD stage onward, it can lead to problems when project components are added or dropped during preparation, especially considering that a full EIA for an 'A' project may require substantial expenditure and several months' time, and that the document must be drafted and disclosed prior to appraisal departure.

4.43 This was the case for the Mauritania and Madagascar projects in the sample. *Mauritania: Urban Development* included urban upgrading works in two major and a number of secondary cities, with several different implementing agencies and a number of preparation studies. The final composition of the project was not fixed until the appraisal mission. It was assigned Category A mainly because of the major resettlement needs.<sup>33</sup> The environmental assessment undertaken prior to appraisal was a rather generic analysis of issues in two cities only; the EMP, which indicated some specific actions to be taken (though it fell short of a comprehensive document), was not prepared until after appraisal. Even though the EMP was possibly of more interest to project affected groups than the EA, it was not publicly disclosed or consulted on. In contrast, the resettlement issues were dealt with in an adequate and timely fashion. However, because of the inadequacies of the EA and EMP and the apparent non-compliance with the process requirements of OP 4.01, the project was rated as U at entry. Fortunately, component-specific EAs are being prepared during implementation, justifying an S quality of implementation and an overall rating of MU.

4.44 *Madagascar: Rural Transport II* has some similarities, in that a component to rehabilitate a railway and port facilities was added late in the preparation process to a rural roads project, giving the project an 'A' rating rather than the 'FI' that would have been warranted by the small-scale road works. As the feasibility studies for the railway/ port component would be completed only in the first project year, the task team proposed that the EIA for that component also be completed to the satisfaction of IDA during that year. Bank management granted a waiver to the process requirements of OP 4.01 on these grounds. As this seemed reasonable and pragmatic, with no loss of project quality (provided the EIA is carried out and reviewed by the Bank with the same diligence as would have applied prior to appraisal), this review rated quality at entry as S and overall quality likewise.

4.45 Box 2 illustrates a situation in China with some similarities to the above cases but also some important differences. For each of two rural development projects, it appears that the Bank was handed a set of preparation studies, including an EA limited to the only

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33. However, as an IDA project with separate EA report, Category B would not have substantially changed the process requirements.

component the Chinese authorities considered required such a study—an agro-industries component. While there is evidence in one of the projects that environmental staff of the Bank were not happy with this situation, the solution adopted was to add an Environmental Monitoring Unit to the implementing agency, rather than to go back and classify the project as ‘A’ (for which there would have been ample justification) and to do a full EIA.

### **Cumulative Impacts**

4.46 This is an issue of current concern to OED as it has been noted as an overlooked area in a number of recent PPARs. Since CBD/CDD-S projects typically finance hundreds of sub-projects, sometimes in a limited geographical area, the possibility of significant cumulative impacts from a large number of individually innocuous sub-projects ought to be examined at appraisal. This was not the case for any of the sample projects. Moreover, the PPAR for *Benin: Borgou Rural Support* does note that provision of stock watering points has substantially changed migratory herding patterns, with impacts on grazing quality, cutting of bush, land use rights and possibly on the water table. Although there are no projects in this sample for tubewell irrigation, cumulative impacts should be analyzed in any such project. Tubewells for domestic drinking water and other kinds of infrastructure sub-projects are less likely to have significant cumulative effects.

4.47 For a CBD/CDD intervention outside the sample (*Northeast Poverty Alleviation Program*), covering eight northeastern states in Brazil,<sup>34</sup> construction of small dams was barely mentioned at appraisal and no effort was made to set down guidelines for dam safety and to study the cumulative input of a large number of small dams. A table on average cost for small dams by State was provided. However, no inference can be drawn about the type of dam being built based on the average cost data. The ICR does not address these questions. However, a Social Development Note mentioned that over a thousand such dams were built under this program.<sup>35</sup>

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34. The eight Northeastern states include *Bahia, Ceara, Maranhao, Paraiba, Pernambuco, Piaui, Rio Grande de Norte and Sergipe*, the Latin America and the Caribbean region undertook a Thematic Review of rural water projects in the same region and found that weak EA during preparation resulted in inadequate identification of potential impacts and a lack of mitigation measures, with implications for sustainability and cumulative impacts.

35. Social Development Note No. 51. Empowering the Poor through Decentralization: Brazil Rural Poverty Alleviation Program.” March 2001.

### **Compliance in the Largest Borrowers**

4.48 If one looks at the 11 projects rated U on overall quality, one sees that the countries fall into two distinct groups—six in countries that are among the Bank’s largest borrowers (China (2), India (2), Egypt and Mexico) and four in some of the poorer countries of Africa and Central America (Central African Republic, Chad, Honduras, and Uganda).<sup>36</sup> The reasons for the second group are not hard to see—the lack of human and financial resources in those countries, and possibly, a focus by Bank staff on more pressing issues of project implementation. However, the prevalence of inadequate compliance in four large countries warrants further study. These countries<sup>37</sup> account for 14% of the sample projects but 55% of the Unsatisfactory group. As large borrowers, they can have considerable leverage over the Bank but, at the same time, they have more options than smaller countries in their sources of project finance. Box 2 illustrates the case of China, where the borrower seems to have influenced the classification of projects and the overall quality of EA work.

### **Medical Waste**

4.49 Typically, health projects like education, nutrition, institutional development, technical assistance and human resource projects, are placed in Category C because they are unlikely to have adverse environmental impacts, or their impacts are likely to be insignificant. However, health projects supporting immunization programs, basic packages of drugs and syringes, and laboratory services for infectious diseases (including AIDS), raise concerns about the safe collection, storage and disposal of medical waste. These issues are further discussed in Box 3, which shows that the treatment of medical waste in most of the earlier projects was weak. However, projects approved since 2002 have distinctly better provisions

### **Benin: A Country Review**

4.50 As Benin was a country of special focus for the CBD/CDD study, a supplemental review was made of a series of 10 CBD/CDD projects in that country, only one of which was included in the main sample portfolio. The results are discussed in Box 4. The results show a clear improving trend over past 10 years.

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36. The other country, Venezuela, does not fit either group.

37. If one looks at Quality at Entry, Brazil and Pakistan also join the list.

#### **Box 4: Evolution of Safeguard Practices in Benin**

With five CBD/CDD projects rated U, four rated S and one as HS, the overall picture is disturbing. On the other hand, a very encouraging evolution can also be seen—the U projects are all prior to FY98 and recent projects have been S or better. This probably indicates a number of things: greater awareness of safeguard issues by project staff; better oversight by AFTEN; and, a management decision to classify all AIDS projects as ‘B’.

The early projects have a number of shared characteristics:

- The projects were intended to have substantial positive environmental benefits, which may have diverted attention from potential negative impacts.
- Lack of awareness of the requirements of OD 4.01 (and the other safeguard policies—prior to 1997, when the policies were bundled as Safeguard Policies, knowledge of policies like Pest Management and International Waterways was not widely disseminated), as shown by the absence of a category or selection of Category C when ‘B’ would have been more appropriate; use of the Environmental Effects paragraph to describe only positive benefits; lack of explicit linkage to the Implementation Manual (IM) or equivalent; and, lack of awareness of the issues like changes of land use for rural development and natural resources projects and medical waste for health projects.
- Where potential negative impacts are identified, there is a lack of systematic follow through—environmental management plan (EMP), procedures in the IM, and clauses in the legal documents mandating the implementation of these.

The later projects are S to HS on environment but still the issue of resettlement appears not to have been fully understood. While these projects would not have generated major involuntary resettlement, there is a potential whenever there is new construction, land acquisition, and/or changes in land use. This potential should have been discussed at entry. This is particularly true for the two urban development projects, especially for construction of roads and main drains, where the discussion of sector issues in the SAR or PAD indicates that squatting and lack of formal titles are problems in Benin’s cities.

Pesticide use was a major issue in the Cotton Project and a minor issue in some others. For the Cotton Project, this recognition seems to have come rather late and the IPM Strategy and Action was not expected to be ready until four months after Board presentation.

ICRs were generally not informative about how safeguard issues identified at appraisal were dealt with or whether unexpected environmental or social issues were encountered. The prevalence of ‘C’ category may have contributed to this oversight.

Only three of the ten projects have had PPARs, two of which largely ignore safeguard issues. However, the Borgou PPAR goes further and raises the issue of cumulative impacts of dams and watering points.

The treatment of medical wastes in the HIV/AIDS Project represents best practice and its implementation should be closely monitored for lessons to be applied to other similar projects.

#### **Delegation of Safeguards Responsibility**

4.51 The Poland Rural Development Project was one of the first examples of full delegation of safeguards responsibility to national authorities. Box 5 suggests that this project would warrant more detailed review in light of the proposal to adopt such delegation more widely.

### Box 5: Delegation of Safeguards Management in Poland

The *Poland: Rural Development Project* of FY2000 aims to provide support to the rural sector by increasing off-farm employment, contributing to the decentralization of local government, and building Poland's capacity to absorb European Union assistance. Operating in less developed regions of the country, the project includes components for micro credit, labor redeployment, education, institution building, and rural infrastructure—water supply, sewage collection and treatment, solid waste management, and rural roads.

The project is interesting in several respects:

- With a total cost of \$300 million, it is one of the largest CBD/CDD projects.
- While the project has many of the characteristics of a typical CBD/CDD-S project, sub-projects are much larger—\$230,000 on average and over \$1 million in some cases, with obvious implications for the application of safeguard policies, especially for wastewater treatment and solid waste sub-projects.
- The project was appropriately assigned Category FI, as sub-projects were to be selected by local government units and were not known at the time of appraisal. There is provision for screening of sub-projects and design of mitigation measures by the local units of the Ministry of Environment.
- The core public sector components are accompanied by measures to stimulate the private sector.

However, the focus of this discussion is the decision to rely on national environmental laws and procedures for ensuring the environmental quality of sub-projects. This decision was made after a detailed review by specialist consultants showed that Poland's EA procedures were similar to those of the Bank and that commitment to their implementation at the local level was serious. This is therefore one of the first examples of delegated authority with respect to environmental safeguard policies (the social safeguard policies were not considered to be triggered by this project).

The Bank is currently exploring the possibility of such delegation for other borrower countries which have strong environmental laws, procedures and institutions. A Discussion Note (Reference 5), which has been released for public comment and may form the basis for a Board paper, proposes *inter alia* among its "short-term measures":

- Making greater use of the existing flexibility to share specific safeguard responsibilities with clients that have proven capacity, and to determine the type and modalities of oversight on the basis of client capacity and track record; and
- Introducing transparent and carefully monitored pilots intended to use national systems in countries with proven capacity and to draw lessons from this experience.

In the light of this, what does the Polish experience tell us? First, a careful review of national procedures must be conducted before reliance can be placed on them. Second, supervision teams have a responsibility to ensure that agreed procedures are being diligently followed and are proving effective. The *Rural Development Project* scores well on the first issue but poses some questions on the second. Recent PSRs have minimal information on the project's safeguards performance. However, in 2001, as project implementation was beginning, a special review was undertaken by an environmental specialist. While the review was positive, it focused more on procedures than specific sub-projects and pointed out the need for follow up by the supervision team on issues such as staff training. It is not clear that this has yet happened. The 2001 review noted that sub-projects identified at that time had all been classified as 'B' or 'C' and the task team confirms that this is still the case. In the opinion of this review, that is questionable for waste water treatment and solid waste sub-projects, which would normally be classed as 'A' (unless there are special circumstances), in view of the diverse impacts that they can generate and the need for close public consultation on siting and other issues.

In retrospect, it is perhaps unfortunate that the Bank did not require prior review of the EA documents for a sample of sub-projects—say, all 'A's and the first three 'B's in each investment category. While adding considerably to the supervision task, such reviews would have provided valuable insight into how the Polish procedures are used in practice and whether any adjustments were needed to ensure project quality.

A second special review of safeguards implementation is planned, which this review strongly endorses, as a means not only of ensuring the quality of the project but also to inform the debate about extending the principle of delegation to other projects and borrowers.

**Survey Results**

4.52 As part of the CBD/CDD study, a questionnaire was sent to about 500 Bank headquarters and field staff to assess Bank performance for CBD/CDD projects and how Bank capacity to undertake these interventions has evolved. The response rate was about 30%.

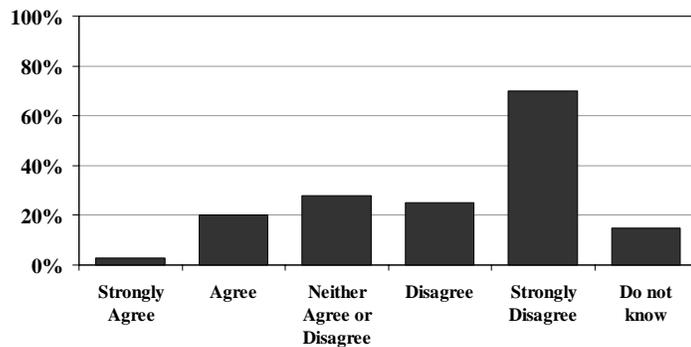
4.53 Two questions on safeguards were asked. The first was “Are sufficient resources made available by Country Directors to effectively address safeguard issues related to CBD/CDD projects.”

The staff was asked to provide their assessment based on a 5-point scale (1 = strongly agree; 2 = Agree; 3= Neither Agree nor Disagree; 4 = Disagree; and 5 = Strongly Disagree). Figure 9 and Annex 5 (A) show the survey results. Only a quarter of the respondents Agreed/Strongly Agreed to the statement that sufficient resources were made available by Country Directors to effectively address safeguard issues related to CBD/CDD projects. The range was from 17% in MNA to 40% in ECA.

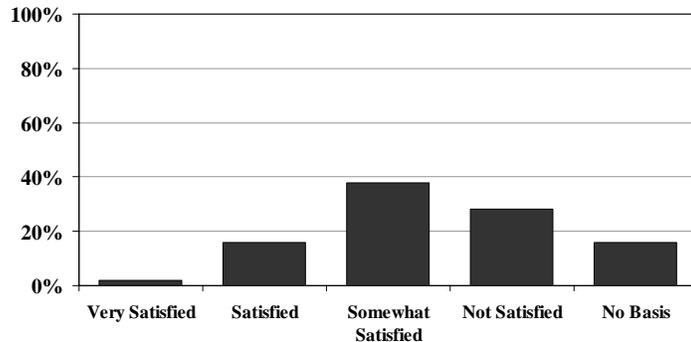
4.54 The second question was “Relevance of current Bank Safeguards for CBD/CDD projects.” The staff was asked to provide their assessment based on a 4-point scale (1 = Very Satisfied; 2 = Satisfied; 3 = Somewhat Satisfied; and 4 = Not Satisfied).

4.55 Figure 10 and Annex 5 (B) show the survey results. A little more than half of the respondents were satisfied and thought the current Bank safeguard policies were relevant for CBD interventions, with a range from 20% in MNA to 64% in LAC. It should be noted that the MNA Region showed one of the best results in overall project safeguards quality.

**Figure 9: Adequacy of Resources to Effectively Address Safeguard Issues Related to CBD/CDD Projects**



**Figure 10: Relevance of Current Bank Safeguards for CBD/CDD Projects**



## Relevance to CBD/CDD Study

4.56 The above findings should dispel any notion that safeguards compliance is not an important issue for CBD/CDD projects—that the impacts of small, scattered infrastructure investments are too small to worry about. As we have seen, sub-projects are not always small and may include investments—like waste water treatment plants in Poland or dams in Brazil and China—with major potential environmental and social impacts that require the full treatment of a Category A analysis.

4.57 Even for the CBD/CDD-S group, where impacts are for the most part limited and manageable, a systematic approach to safeguards management will pay dividends in terms of human health (for example, by locating wells away from latrines or ensuring the proper disposal of medical wastes), human welfare (by providing a resettlement framework in case involuntary resettlement is found necessary during project implementation) or the natural environment (for example, in avoiding afforestation of critical natural habitats or in introducing integrated pest management). The Review discovered a number of best practice examples for such a systematic approach—including Armenia: Natural Resources Management and Poverty Reduction Project, Bangladesh: Social Investment Program Project, Bolivia: Health Sector Reform APL II, and Brazil: Sao Paulo Third Land Management Project.

4.58 Nevertheless, there are a number of constraints which may account for some of the deficiencies noted in the sample projects:

- The “minimalist” mindset, which tends to underplay potential problems or focus on only one or two obvious issues.
- Limited training of Task Team Leaders for CBD/CDD projects in the detail of the Bank’s safeguard policies and practical issues of their application to CBD/CDD projects.
- Budgetary constraints to the inclusion of knowledgeable environmental and social specialists in preparation, appraisal, and supervision teams.
- Insufficient recognition of the potential of the ‘FI’ category to reduce the amount of work needed prior to appraisal but, at the same time, the need for careful appraisal of Operational Manual procedures, especially capacity building needs, and the necessity of adequate supervision of safeguards implementation.
- The need borne out by the staff survey, in both the CBD/CDD-S and CBD/CDD-NS groups, for more attention to (and, presumably, more resources for) safeguard compliance.
- The challenge of building safeguard management capacity in implementing agencies that are often newly established or thinly stretched, and frequently in countries or regions with acute shortages of skilled personnel and funds.
- The difficulty, both for national authorities and the Bank, of obtaining timely information on sub-project environmental and social impacts and the effectiveness of agreed processes.
- Inadequate sharing of best practice examples.

4.59 Many of these constraints are similar to those faced generally in designing and implementing CBD/CDD projects and thus “mainstreaming” safeguard concerns into overall project preparation, appraisal and supervision could well pay dividends.

## 5. Conclusions and Recommendations

### CONCLUSIONS

5.1 This Review has assessed the quality of compliance with the Bank’s safeguard policies for a sample of 84 CBD/CDD projects at all stages of the project cycle. Based on the detailed findings of Chapter 4, four broad conclusions are drawn and a number of recommendations made for short-term actions to address the issues identified.

***1. Although there has been a clear improvement over time, safeguard compliance in CBD/CDD projects does not yet fully meet Bank Standards.***

- Assignment of the appropriate category remains a problem for many CBD/CDD projects. The Review found three Category B projects out of 45 that should have been ‘A’s, almost 40% of ‘C’s that should have been ‘B’s or ‘FI’s and a general neglect of the ‘FI’ category, which should be the normal home for CBD/CDD-S projects.
- The quality of safeguard instruments is satisfactory on the social side (RAPs and IPDPs) but less so on the environmental side (EAs and EMPs), where 30% of documents were rated less than satisfactory.
- For non-‘C’ projects, 60% made provision for capacity building with respect to safeguards and over 90% of such projects were rated MS and above on this issue.
- For non-‘C’ projects, 67% made provision for monitoring related to safeguard compliance and, in about 80% of cases, this was rated MS and above. Implementation of both capacity building and monitoring remains problematic, as little is reported in PSRs.
- Overall Quality at Entry showed 70% of the CBD/CDD sample as MS and above, ranging from 100% for ‘FI’s to a disturbing 40% for the ‘A’s.
- Newer projects showed significantly better ratings than older, while CBD/CDD-S projects out-performed the CBD/CDD-NS group by a considerable margin. Wide differences between Regions and sectors were also noted.
- For the project implementation period, safeguards compliance was rated MS and above for only 35% of the sample (40% for ‘A’s, 34% for ‘B’s and 60% for ‘FI’s). As at entry, the performance of the newer projects was substantially better than for older ones, though not acceptable, at 44%. Again, CBD/CDD-S projects scored better than the CBD/CDD-NS group. Variations between Regions and sectors were considerable but not as great as at entry.
- Combining quality at entry and during implementation, overall quality was rated MS or better for 70% of cases, ranging from 100% for the ‘FI’s to a low 40% for the five ‘A’ projects. ECA and MNA Regions produced the best results, while the transport, social protection and environment sectors also scored well.

- A sample project in Poland is one of the first cases where responsibility for safeguards management has been entirely delegated to national officials and procedures. While this arrangement appears to be working well, documentation is scarce. Further analysis might shed light on the advisability of a proposed Bank move to delegate such responsibility in more cases.

***II. While quality at entry needs improvement, safeguards compliance during implementation warrants much greater attention by the Bank and borrowers, and may indicate the need for greater allocation of supervision resources.***

- Quality at Entry and Quality during Implementation appear not to be highly correlated and, in many cases, high-quality work at appraisal was not followed up during supervision. In other cases, however, an inadequate appraisal was “rescued” by resourceful supervision efforts.
- The inadequacy of supervision funding is strongly endorsed by task team leaders for CBD/CDD projects, only one-quarter of whom considered present funding levels adequate.
- Review of safeguard compliance during implementation was hampered by a dearth of information in PSRs, ICRs, and PPARs. For the last two document types, inadequate reporting may be linked to the lack of an appropriate sub-heading for reporting on safeguard compliance. For PSRs, the format is satisfactory but task teams do not generally take full advantage of it<sup>38</sup>.
- As a result of the absence of key information, project ratings on supervision were generally low, with only 33% of projects scoring MS or better.
- Reporting on resettlement and indigenous peoples activities is more consistent than for environment. Reporting on dam safety, pest management, capacity building, and monitoring is generally inadequate.
- A few projects had had special reviews on safeguard compliance, a practice that should be extended more widely.
- The quality of ICRs with respect to safeguards is also quite low, with only 32% of projects rated MS or better, with the only ‘A’ project and 82% of the ‘B’s failing to meet this modest standard.

***III. Gaps in the compliance system may be leading to significant environmental and social impacts, which may not be caught by the monitoring and reporting systems typically used.***

- The special requirements of OP/BP 4.01 for IDA ‘B’ projects with a separate EA report are overlooked in some instances or, in a few cases, undermined.
- Triggering of safeguard policies other than OP 4.01 is reasonably good in the key areas of involuntary resettlement and indigenous people (where potential exposure of the Bank to reputational risk is high) but there remains a lack of recognition of the need to trigger policies like Pest Management, Dam Safety, and International Waterways in the CBD/CDD portfolio.

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<sup>38</sup> The Africa Region is beginning to systematically review the safeguard ratings in PSRs.

- Too little attention is being paid to the environmental and social consequences of changes in land use, especially for livestock, irrigation, and reforestation projects.
- For projects in the health sector, the problem of medical waste was largely ignored in earlier projects. However, the sample shows that the problem is now recognized in all relevant projects and that satisfactory measures are now being taken.
- Task teams have found it hard to apply the requirements of OP 4.01 to ‘A’ projects where the project composition is not finalized until the time of appraisal and each component has its own preparation mechanism. Examples of both innovative and inadequate responses to this problem were found in the sample.
- Of special interest for CBD/CDD projects is the possibility of significant cumulative environmental impacts from a number of small sub-projects in the same area. While no clear-cut examples were found in the reviewed sample, this issue needs greater attention at appraisal.
  - Nevertheless, it should be noted that more than half of task team leaders are satisfied that current safeguard policies are relevant to CBD/CDD projects.

***IV. The Bank appears to have particular difficulty in ensuring safeguard compliance in its largest borrowers.***

- The Review found 11 projects in the Unsatisfactory category, of which six (55%) were in four larger borrower countries (which accounted for only 15% of the sample). This suggests that the Bank has special difficulty in ensuring compliance with its safeguard policies in larger countries.
- In the case of China, borrower reluctance to accept the Bank’s judgment on the appropriate EA category was particularly clear in the rural sector, as detailed in Box 2.
- OED reached a similar conclusion in the China Country Assistance Evaluation “environmental safeguard policy has been highly variable, ranging from best practice to a rebuke from the inspection panel for not applying the Bank’s own safeguard procedures.”
- In the case of India, possible resettlement issues in the Andhra Pradesh Forestry Project were ignored by the borrower and the Bank, until brought to light in the PPAR, resulting in Bank Performance being rated Unsatisfactory.
- To a lesser degree, problems of this nature were also noted in examples from Indonesia, Brazil, and Egypt.

**RECOMMENDATIONS**

**At the level of policy development, regional coordination, staff guidance and training**

- Guidance is urgently needed on the appropriate EA categorization of CBD/CDD projects, especially on the use of the ‘FI’ category and also on the special requirements for IDA ‘B’ projects with a separate EA report.
- Training of task teams in the application of the safeguard policies to CBD/CDD projects should be intensified and should rely heavily on “best practice” examples, a few of which are identified in this Review.
- A thematic study of the environmental and social implications of changes in land use may be warranted.

- In any planned revision of OP 4.01 (and/or the other safeguard policies), special attention should be given to: streamlining the IDA ‘B’ with separate EA report procedures; defining “financial intermediary”; dealing with multi-component ‘A’ projects; defining standards for supervision and completion reporting on safeguards compliance; and a possible mandated role for the regional environmental and social units in the supervision of ‘A’ projects.
- The experience of the *Poland: Rural Development Project* should be thoroughly reviewed as a contribution to the debate on delegation of safeguard management authority to national agencies.

#### **At the level of regional safeguards compliance assurance**

- Evaluating the recent transfer of sign-off authority for Category B and FI projects in light of the above findings and those of other OED studies, including staffing and budgeting issues.
- Ensuring full compliance at entry with safeguard policies, especially in the Bank’s largest borrower countries.
- Ensuring that policies other than OP 4.01 are triggered in appropriate cases and necessary follow-up actions taken.
- Obtaining resources for and carrying out special reviews of safeguard compliance for CBD/CDD projects under supervision, with special attention to the adequacy of agreed provisions, the effectiveness of their implementation, and the success of capacity building and monitoring activities.
- Developing standard document packages (cf. procurement documents) for safeguard instruments like EAs, EMPs, RAPs, and IPDPs<sup>39</sup>.
- Reviewing the potential for delegation of safeguard management authority to national agencies.

#### **At the level of project development, approval and supervision**

- Identification of potential safeguard issues, for example, by use of Strategic Environmental Assessment.
- Mainstreaming environmental and social safeguards into the preparation process for CBD/CDD projects, for example, in developing, planning, programming and monitoring programs, as well as staff training.
- Collaborating closely with the regional environmental and social units in assigning EA categories appropriately and in using the Integrated Safeguards Data Sheet as a “contract” for actions needed between the PCD and appraisal stages.
- Being sensitive to the special disclosure and consultation requirements of Category A and B (and agreeing with management on commonsense waivers where process requirements may impede project quality or timeliness).

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<sup>39</sup> The Africa safeguard unit is currently leading an inter-regional effort to develop a “toolkit” of sample forms and guidelines.

- Obtaining sufficient financial and staff resources to allow adequate supervision of the implementation of agreed safeguard measures, especially for 'A's and 'B's with an EMP, including periodic review of a sample of sub-projects.
- Using the comment boxes in the PSR form to explain the reasoning behind the ratings given, the progress of capacity building or monitoring programs and any unforeseen problems encountered, with special attention to Category A projects.
- Using the MTR to look in greater depth at safeguard compliance, with the assistance of environmental and/or social specialists.
- Following the guidelines for the ICR in reporting on safeguard compliance at project completion.

5.2 While the above conclusions and recommendations are limited to the CBD/CDD projects reviewed, other OED project and thematic studies suggest that they may have a broader application. The conclusions are generally consistent with a number of earlier OED studies, such as the 2004 Social Development Study (Reference 15) and the 1999 synthesis of evaluative materials (Reference 3). Among the common areas of concern with these earlier studies are: failure to trigger policies; the need for greater public participation; and, inadequate supervision. The findings of this review also overlap with those of the recent review of extractive industries (Reference 11), especially in areas, such as: EA categorization and instruments; disclosure, participation, monitoring, and capacity building; the need to strengthen supervision; and, the need to disseminate lessons learned. The extractive industries review, however, found some deficiencies not found in the CBD/CDD portfolio, such as inadequate legal covenants. The need to improve supervision of safeguards compliance is a common theme not only of the OED studies consulted but also of numerous other Bank reports and memoranda dating back almost to the initiation of OP 4.01 in 1988.



## Annex 1: World Bank Safeguard Policies

<i>Safeguard Policy</i>	<i>Policy Requirements at Approval</i>
<b>EA OP 4.01 — A &amp; B categories (January 1999)</b>	(i) prevent, minimize, mitigate or compensate for adverse environmental and social impacts and enhance positive impacts and preparation of an acceptable Environmental Assessment (EA) and/or Environmental Management Plan (EMP) meeting EA OP standards and requirements ; (ii) proper analysis of project alternatives; (iii) comprehensively includes natural environment, social aspects, human health and safety, major hazards, transboundary/global and cumulative/induced impacts; (iv) strengthening of inadequate Borrower EA capacity; (v) for all 'A' and 'B' projects, Borrower consults project-affected groups, local NGOs, etc and discloses relevant material in a timely manner; (vi) summary EA reports for 'A' projects disclosed locally and to the World Bank Info-shop and for 'B' projects EA disclosed through the World Bank Info-Shop in a timely manner, including conditions for appraisal; (vii) Borrower is not proposing a project or project component which is on the World Bank's banned list; and (viii) need for independent environmental advisory panel in case of highly risky or contentious project
<b>Natural Habitats OP 4.04 (June 2001)</b>	(i) project does not significantly convert/degrade a critical habitat; (ii) natural habitats are correctly identified; (iii) alternative analysis examines alternatives to significant conversion; (iv) if conversion can not be avoided, impact are minimized, mitigated and offset requirements are examined.
<b>Involuntary Resettlement OD 4.30 (June 1990); and OP 4.12 (December 2001)</b>	(i) avoid or minimize involuntary physical resettlement or economic displacement; (ii) Displaced persons should be: (a) compensated for their losses at full replacement cost prior to the actual move; (b) assisted with the move and supported during the transition period in the resettlement site; and (c) assisted in their efforts to improve their former living standards, income earning capacity, and production levels, or at least to restore them. Particular attention should be paid to the needs of the poorest groups to be resettled; (iii) Land, housing, infrastructure, and other compensation should be provided to the adversely affected population, indigenous groups, ethnic minorities, and pastoralists who may have usufruct or customary rights to the land or other resources taken for the project. The absence of legal title to land by such groups should not be a bar to compensation; (iv) minimize impacts on host communities including consultation with these communities; (v) consult and involve affected people in planning, and implementation; and (vi) preparation of a resettlement action plan (RAP), or other resettlement instrument as agreed with the Bank.
<b>Indigenous Peoples OD 4.20 (September 1991)</b>	(i) appropriate identification of indigenous groups in project area; (ii) avoidance and mitigation of adverse impacts; (iii) informed participation of the indigenous peoples themselves; and (iv) culturally appropriate social and economic benefits; and (v) preparation of an Indigenous Peoples' Action Plan (IPAP).
<b>Safety of Dams OP 4.37 (October 2001)</b>	New Dams: (i) safety measures from design to operation for dam and associated works, including for dams >15 meters in final height and for special case (flood prone, seismic area, difficult foundations, toxic materials, etc) dams between 10 and 15 m, the following: (a) reviews by independent panel of experts throughout investigation, design and construction of dam and for start of operations; (b) plan for construction, supervision and quality assurance, plan for instrumentation, an O&M plan, and an emergency preparedness plan; (c) pre-qualification of bidders; (d) periodic safety inspections after completion of construction; Existing Dams: (i) independent dam specialist(s) to evaluate safety status and operation/maintenance procedures; (ii) remedial works as necessary to correct safety deficiencies; and (iii) for high hazard cases involving significant and complex remedial work the sponsor must employ a panel of independent experts as for new dams:
<b>Forestry OP 4.36</b>	(i) no financing of commercial logging operations or logging equipment in primary

<b>Safeguard Policy</b>	<b>Policy Requirements at Approval</b>
<b>(October 1993)</b>	tropical moist forest; (ii) Borrower consultation with interest groups for particular forest areas; (iii) Borrower commitment to sustainable management and conservation forestry (note criteria for this policy and practice — see OP 4.36) — unwritten policy to require sponsors who purchase timber products to do so from such sources: (iv) plantations only on non-forested areas or heavily degraded forests; and (v) only preservation or light non-extractive activities in areas of high ecological value.
<b>Cultural Property OP 4.11 (August 1999)</b>	(i) avoid harm to significant, non-replicable cultural property; (ii) Borrower addresses protection/management of cultural property in project area including “chance finds”; and (iii) Borrower meets host country regulations/laws (or adheres to best practice in the absence of host country laws).
<b>Pest Management OP 4.09 (December 1998)</b>	(i) promote biological and environmental control methods over chemical pesticides when possible; (ii) pesticides to be manufactured, packed, labeled, applied, etc in accordance with WHO/FAO guidelines; (iii) according to WHO/FAO guidelines the pesticides used must: (a) be effective against the target species; (b) have negligible human health effects; (c) have minimal effect on non-target species and the natural environment, and (d) not be expected to develop resistance in pests; (iv) Integrated Pest Management (IPM) to be encouraged in agricultural projects; and (v) Borrower prepares a pest management plan (PMP).
<b>Disputed Areas BP 7.6 (June 2001)</b>	Project can proceed in disputed area if: (i) the other claimants to the disputed area have no objection to the project; or (ii) in special circumstances including the following: (a) the project is not harmful to the interest of the other claimant, or (b) that a conflicting claim has won international recognition or been actively pursued.
<b>International Waterways OP 7.5 (June 2001)</b>	(i) assess if the project meets the “exemptions to notification requirement”; (ii) identify any existing riparian agreements or institutional framework for the international waterway concerned; (iii) assure that all riparians are formally informed about upcoming new project on an international waterway; and (iv) in the event of objection the Bank in appropriate cases may appoint one or more independent experts to examine the issues. Should the Bank decide to proceed with the project despite the objections of the other riparians, the Bank informs them of this decision.

Source: *Batstone Extractive Industry Paper*

## Annex 2: Bank Safeguard Policies—Criteria for Compliance

<i>Safeguard Policy</i>	<i>Policy Requirements during Implementation</i>
<b>EA OP &amp;BP 4.01 — A &amp; B categories</b> (January 1999)	(i) Bank reviews Borrowers Project Implementation Plan to ensure that it incorporates EA findings and recommendations, including any EMP; (ii) Bank ensures that loan conditions include an obligation to carry out the EMP and include as additional conditions specific measures under the EMP, as appropriate for facilitating effective supervision and monitoring on EMP implementation; (iii) the Bank ensures that environment-related covenants are included in the monitoring system; (iv) During implementation borrower reports on: (a) compliance with measures agreed with the Bank on basis and findings and results of EA, including implementation of any EMP; (b) the status of mitigatory measures; and (c) findings of monitoring programs; (v) the Bank bases supervision of the projects environmental aspects on the findings and recommendations of the EA, including measures set out in the legal agreements, any EMP and other project documents, and ensures that supervision missions contain adequate environmental expertise; (vi) during supervision the Bank reviews Borrower's implementation progress (incl. progress reports) and assesses Borrower's compliance with agreed environmental actions, particularly the implementation of environmental mitigation, monitoring and management measures; (vii) if compliance is unsatisfactory the Bank discusses with Borrower actions necessary to correct noncompliance and follows up on the implementation of such actions; (viii) Bank ensures that Borrower's Operating Plan for the project includes actions required to carry out the project's environment related aspects, including provision for continued functioning of any environmental advisory panel as agreed with the Bank; and (ix) The ICR evaluates: (a) environmental impacts, noting whether they were anticipated in the EA report; and (b) the effectiveness of any mitigation measures taken.
<b>Natural Habitats OP&amp;BP 4.04</b> (June 2001)	(i) the ICR assesses the extent to which the project achieved its environmental objectives, including natural habitat conservation.
<b>Involuntary Resettlement OP&amp;BP 4.12</b> (December 2001)	(i) the Borrower's obligations to carry out the resettlement plan (or other instrument agreed with the Bank) and to keep the Bank informed of implementation progress are provided for in the legal agreements for the project; (ii) the Borrower is responsible for adequate monitoring and evaluation of the activities set forth in the resettlement instrument; (iii) the Bank regularly supervises resettlement implementation to determine compliance with the resettlement instrument; (iv) upon completion of the project the Borrower assesses if implementation successfully meets the resettlement objectives and if not then it proposes follow up actions; (v) the ICR validates the achievement of the objectives of the resettlement instrument and lessons for future operations and summarizes the findings of the Borrower's assessment; and (vi) if the evaluation suggests that the objectives of the resettlement instrument may not be realized, the ICR assesses the appropriateness of the resettlement measures and may propose a future course of action, including, as appropriate, supervision by the Bank.
<b>Indigenous Peoples OD 4.20</b> (September 1991)	(i) the Borrower's commitments for implementing the Indigenous Peoples Development plan should be reflected in the loan documents and legal provisions should provide Bank staff with clear benchmarks that can be monitored during supervision; (ii) Bank's supervision planning should make provisions for including the appropriate anthropological, legal and technical skills in supervision missions during project implementation.
<b>Safety of Dams OP 4.37</b> (October 2001)	(i) During supervision the Bank monitors all activities relating to dam safety provisions in the Loan Agreement, using technical staff and, as appropriate, consultants to assess the Borrower's performance; (ii) if performance is unsatisfactory, the Bank promptly informs the Borrower that the deficiencies must be remedied; (iii) at later stages of implementation the Bank discusses

<b>Safeguard Policy</b>	<b>Policy Requirements during Implementation</b>
	post-project operational procedures with the Borrower; and (iv) the Bank may see the need to supervise such projects after Loan Closure to ensure that they are inspected and maintained satisfactorily.
<b>Forestry OP 4.36 (October 1993)</b>	No specific requirements
<b>Cultural Property OP 4.11 (August 1999)</b>	No specific requirements
<b>Pest Management OP 4.09 (December 1998) EA BP 4.01 — Annex C (January 1999)</b>	(i) depending on complexity of PM issues confirmed at appraisal, supervision missions may need to include appropriate technical specialists. This needs to be reflected in the supervision plan; (ii) the ICR evaluates the environmental impact of pest management practices supported by the project as well as the Borrower's institutional oversight capacity. It also discusses whether the project has resulted in improved pest management practices according to the criteria that define the IPM approach.
<b>Disputed Areas BP 7.6 (June 2001)</b>	No specific requirements
<b>International Waterways OP 7.5 (June 2001)</b>	No specific requirements

*Source: Batstone Extractive Industry Paper*

## Annex 3: Methodological Notes

### (A) METHODOLOGY FOR EVALUATION OF COMPLIANCE WITH SAFEGUARDS

This section builds on the methodology for Safeguard Compliance developed for the OED Review of Compliance with Safeguard Policies of World Bank Extractive Industries Projects; and background and guidance information on CBD/CDD Projects and safeguard policy compliance available from the Quality Assurance and Compliance Group of the World Bank.

The sample of 84 CDD/CBD projects selected for an in-depth portfolio review was assessed for compliance with the Bank's safeguard requirements. This section outlines the methodology for assessment of compliance with the Bank's safeguards.

The recent draft safeguard policy compliance guidance note by the Quality Assurance and Compliance Unit (2002) indicates that, like all Bank projects, CBD/CDD projects must also comply with the 10 safeguard policies<sup>40</sup> and the policy on disclosure of operational information. Since CBD/CDD projects have multiple sub-projects, Safeguard Policies have been adapted to fit their special requirements. The EA process in relation to the general CBD/CDD project cycle is described in the table below.

#### CBD/CDD Project Cycle

Stage	General Procedure	General EA Procedure				
Identification	Bank and Borrower analyze development strategies (CAS and PRSP); Identify financially, economically, socially, and environmentally sound projects.	Environmental screening				Initial Project Information Document (PID); Integrated Safeguards Data Sheets (ISDS)
	Borrower conducts pre-feasibility studies. Bank undertakes environmental screening and prepares ISDS	A Detailed scoping and public consultation	Environmental Category B   FI		C No EA	

40. OP 4.01, Environmental Assessment; OP 4.04, Natural Habitats; OP 4.09, Pest Management; OP 4.11, Cultural Property; OP 4.12, Involuntary Resettlement; OP 4.20, Indigenous Peoples; OP 4.36, Forestry; OP 4.37, Safety of Dams; OP 7.50, Projects in International Waterways; OP 7.60, Projects in Disputed Territories; and BP 17.50, Disclosure Policy.

ISDS was introduced in 2000 to replace EDS. The former is a more comprehensive document and provides assesses information on Involuntary Resettlement, Cultural Property and Indigenous Peoples safeguard policy as well.

Stage	General Procedure	General EA Procedure			
Preparation	<p><u>Borrower</u> Prepare project plan Determine technical, institutional, economic, environmental, and financial conditions required for the project to succeed</p> <p>Conducts feasibility studies.</p> <p><u>Bank</u> provides technical and financial assistance.</p>	EA Team Selection (Involvement of specialists)	EA Team Selection <u>Limited EA Preparation</u> (one or more as appropriate) Checklists Assess Impact Prepare mitigation and monitoring plan Develop design criteria, standards or guidelines Carry out an environmental audit Undertake hazard assessment	Frame-work for <u>programmatic EA</u> Assess Impact Develop design criteria, standards or guidelines Prepare negative list of project activities	Environmental Assessment (EA), Resettlement Action Plan (RAP); Indigenous Peoples Development Plan (IPDP); Environmental Management Plan (EMP)
Appraisal	<p><u>Bank</u> Review work conducted during identification and preparation. Prepare a PAD for investment projects, and a Program Document for structural operations Review and redraft as necessary for submission to Bank management.</p>	Env Impact Assessment (EIA) Assess feasibility of addressing safeguard issues Identification & discussions of cost implications of mitigation measures Confirm all organizational and financial arrangements.	Environmental Review (ER)		Project Information Document (PID); Development Business; Monthly Operational Summary
Approval and Disbursement	<p><u>Borrower</u> approves and clears project terms</p> <p><u>Bank Board of Executive Directors</u> Declare loan or credit effective, or ready for disbursement Disburse funds after reviewing Borrower's specifications and evaluating bids for the procurement of goods and services related to the project.</p>	Approval of mitigation plan Integration in the loan document. Release of resources earmarked for mitigation measures.			Staff Appraisal Report (SAR); Project Appraisal Document (PAD); Technical Annex (TAN); Program Document (PGD); Loan agreement
Implementation and Supervision	<p><u>Borrower</u> implements project</p> <p><u>Bank</u> provides technical assistance; supervises (monitors, evaluates, and reports) project progress.</p>	Implementation of safeguard/mitigation measures  Monitoring environmental quality Monitoring mitigation measures			
Evaluation	<p><u>Bank Board of Executive Directors</u> Approves completion report</p>	Evaluate EA report Evaluate Mitigation report			Implementation Completion Report (ICR)
	<p><u>Bank</u> (OED) Prepares evaluative summary Conducts audit and impact evaluations on some projects.</p>	Review of project to evaluate the effectiveness of the mitigation measures and any unexpected impacts -- both positive and negative			Impact Evaluation Report (IER)

All projects in the sample have been assigned an environmental category. The table below presents the breakdown of the 847 projects in the sampling frame and 84 projects in the sample by the environmental category they fall in.

	A	B	C	FI	Others	Total
Sampling Frame	29	412	348	36	4	847
Sample	5	45	29	5	0	84

The sample has 5 projects in Category A and 5 projects in Category F. Because of the small sample size in some categories, suitable care has been exercised in analyzing data by category.

### **Documents to be Reviewed**

For all projects in the sample, the appraisal document (SAR/PAD) was reviewed. For completed projects, the ICR and the PPAR, where applicable, were reviewed. For active projects, some PSRs were reviewed in selected cases. For Category A projects, a wider range of documents were reviewed as needed—including EDS/ISDS, PIP, Implementation Manual (IM) or equivalent, MTR, etc.

### **Review Methodology**

The depth of the review for each project depended on the nature and extent of the environmental and social issues identified at appraisal, or subsequently, and also on the extent to which important issues appear to have been missed. The document review was supplemented by questions to task managers but on a very selective basis.

The emphasis was on product rather than process. However, for the ‘A’ projects, some process issues were also addressed (e.g., was the EIA done by *independent* experts, was the draft submitted to the Board and Infoshop prior to appraisal departure).

A standard matrix was developed for recording information on the sample projects, which formed the basis for the statistical analysis of the findings.

### **Key Questions**

#### **Section 1. At Project Identification/ Appraisal**

1. Was an EDS/ISDS prepared for the project?
2. Was there a reason given for the choice of the environmental classification? Was it appropriate?
3. Did the borrower conduct a partial safeguard assessment?
4. Was any other safeguard (other than OP 4.01) triggered? Should there have been?
5. Does the project document describe expected negative environmental impacts?
6. Does the project document describe mitigation action for the negative environmental impacts?
7. Was there any capacity building requirement (when the borrower has inadequate legal or technical capacity to carry out key EA-related functions for the proposed project) in the project?
8. Did the borrower consult project-affected groups and local NGOs about environmental aspects?
9. Did the document indicate a monitoring system?
10. Did the IM specify a negative list of activities that the project should not fund and not procure?
11. Did the project documents give cost estimates for dealing with safeguard issues?

12. Were there any loan covenants to ensure compliance with safeguard policies?
13. What was the quality of the EIA or equivalent?
14. What was the quality of the EMP, RAP, IPP, or equivalent?

### **Section 2. At Project Supervision (where reviewed)**

1. Did the supervision reports (PSRs) address project compliance with safeguard measures?
2. Did the PSRs indicate any unforeseen challenges that hindered compliance with Bank's safeguard measures?
3. If there were loan covenants to ensure compliance, do PSRs report on them?
4. Were there special studies undertaken for assessing safeguard issues and impacts?
5. Were there safeguards policy specialists appointed to ensure compliance with safeguard policies?
6. How adequate was the attention given to the implementation of the proposed action plans regarding safeguard requirements?
7. How adequate was the attention given to the implementation of safeguards capacity building activities targeted at local communities?
8. How adequate was the attention given to the implementation of safeguards capacity building activities targeted at municipal, provincial and central government levels?
9. How adequate was the monitoring and evaluation of safeguard policies?
10. How effectively were unforeseen challenges that hindered implementation of the proposed action plans handled, if any?

### **Section 3. At Project Completion**

1. Does the ICR review the adequacy of the appraisal assessment of safeguard and the measures built into the project and its legal agreements?
2. Does the ICR describe the outcome of any agreed actions on safeguard issues, including capacity building and monitoring systems?
3. What is the quality of the above analysis? Have any issues been overlooked?
4. Does the ICR mention any environmental or social impacts that were not foreseen at appraisal or foreseen but not adequately mitigated? Does it analyze the reasons for these?
5. How well does the PPAR address the above issues?
6. In the case that the PPAR finds significant violations of the Bank's safeguard policies, has the rating of Bank performance been downgraded to Unsatisfactory?

### **Note on Category C Projects**

Category C projects do not require an EIA and therefore the project documents often do not indicate any compliance issues, mitigation measures and/or resource issues for safeguards. All 29 projects in this category, nevertheless, were reviewed to assess the appropriateness of the assignment of Category C, as well the possible applicability of other safeguards. Some of the safeguard violation issues that we watched out for (in all categories but especially for Cs) were:

- Projects that could have a cumulative environmental impact, for example, wells, roads.
- Projects where violation of Bank physical thresholds requirements are being avoided by constructions which are slightly below the threshold requirements, as in the case of small dams.
- Where the safeguard categorization had been changed yet project issues had not been re-analyzed, for example, Mali Natural Resources Management Project
- Where project works could lead to resettlement issues on a small scale.
- Provision of safe drinking water and sanitation at schools and health facilities
- Collection and disposal of medical wastes for health, population, and AIDS projects
- Pest management in small-scale agricultural production.

### **FI Category**

There appears to be some controversy within the Bank over the applicability of Category FI to CBD/CDD projects. Some Regions understand this category to cover all cases where funds are allocated from a central source (as grants or loans), using certain eligibility criteria, to sub-projects that are not known at the time of appraisal. Other Regions use a narrower definition and apply this category to cases where funds are on-lent. The OED review attempted to summarize the current state of this debate and its implications for CBD/CDD projects, through interviews with QACU and regional safeguards coordinators. In analyzing projects, it was not guided solely by the category but more by the adequacy of the procedures built into the projects.

### **Country Studies**

The safeguards review will support the country studies (for Benin, Brazil, India, Nepal, Turkey, and Vietnam) by conducting its review of projects for those countries so as to provide results in time for the country study. In the case of Benin, all 10 CBD/CDD projects were reviewed, even though only one falls within the sample.

## **(B) PROJECT RATING SYSTEM**

Project characteristics (described in Chapter 1 and Annex 3a) were rated according to a six-point scale, defined as follows:

**Highly Satisfactory (HS)**—meets all formal process<sup>41</sup> and product<sup>42</sup> requirements of the relevant safeguard policies and “goes the extra mile” by deepening or broadening the analysis in some way; a “best practice” example.

**Satisfactory (S)**—meets all or nearly all the requirements of the relevant safeguard policies, with possible minor shortfalls, mainly on the process side.

**Moderately Satisfactory (MS)**—meets most of the requirements of the relevant safeguard policies, with shortfalls on the process and product side, which detract from the project quality but do not pose a threat of significant environmental or social impacts.

**Moderately Unsatisfactory (MU)**—does not meet some important requirements of the relevant safeguard policies, with shortfalls that are judged to have moderate actual or potential negative impacts.

**Unsatisfactory (U)**—does not meet some important requirements of the relevant safeguard policies, with shortfalls that are judged to have significant actual or potential negative impacts.

**Highly Unsatisfactory (HU)**—does not meet some important requirements of the relevant safeguard policies, with shortfalls that are judged to have serious actual or potential negative impacts.

### **Ratings for Appropriateness of the EA category**

This review used the following basis for rating the appropriateness of the EA category:

- Cs that should have been ‘B’s or ‘FI’s are rated MU;
- Cs that should have been ‘A’s (null set);
- ‘B’s that should have been ‘A’s are rated U;
- 1999 and later ‘B’s that should have been ‘FI’s are rated MS. The reason for not giving a lower rating is that TTLs and regional environment units have been given

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41. Requirements for circulation of documents, timing of disclosure, review and clearance by Regional Environmental and Social Units, etc.

42. Requirements for classification, safeguard instruments, PSRs, and ICRs.

conflicting information by QACU and LEGEN, an area that is still in the process of clarification.

### Ratings for Quality of Supervision Reporting

The following scoring system was used for rating the quality of PSRs:

Project Category	Safeguard boxes blank or NR	Safeguard boxes S but without explanation	Explanation in box or elsewhere
A	HU	U	According to quality of information
B or FI	U	MU	According to quality of information
C	MU	MS	According to quality of information

### Ratings for Quality of Implementation Completion Reporting

A similar system to that for the PSRs was used to rate ICRs, the expectation for an S rating being a full description of safeguard compliance for As (including an analysis of the original category assignment and the work done prior to appraisal, the effectiveness of agreed mitigation and capacity building measures, and mention of any unforeseen impacts), a briefer summary for 'B's and 'FI's and a brief mention only for Cs. ICRs were rated as follows:

EA Category	No information	Partial information	Full information
A	HU	U to MU	S to HS
B	U	MU to MS	S to HS
C	MU	MS	S to HS

(There were no ICRs of 'FI' projects in the sample)

**Annex 4: List of Projects Reviewed**

<b>Proj ID</b>	<b>Country</b>	<b>Project Title</b>	<b>Fiscal year</b>	<b>Region</b>	<b>Sector Board</b>	<b>IBRD/IDA Amt</b>	<b>EA Cat</b>
P000474	Central African	Livestock Development and Rangelands Management Project	1995	AFR	Rural Sector	17	A
P064729	China	Sustainable Forestry Development Project	2002	EAP	Environment	94	A
P073689	Madagascar	Rural Transport Project APL II	2003	AFR	Transport	80	A
P069095	Mauritania	Urban Development Project	2002	AFR	Urban Development	70	A
P070092	Yemen, Republic	Second Taiz Municipal Development and Flood Protection Project	2002	MNA	Urban Development	45	A
P006043	Argentina	Renewable Energy in the Rural Market Project	1999	LAC	Energy and Mining	30	B
P057847	Armenia	Natural Resources Management and Poverty Reduction Project	2002	ECA	Environment	8	B
P040716	Azerbaijan	Highway Project	2001	ECA	Transport	40	B
P053578	Bangladesh	Social Investment Program Project	2003	SAR	Rural Sector	18	B
P059481	Bhutan	Rural Access Roads	2000	SAR	Transport	12	B
P074212	Bolivia	Health Sector Reform APL II	2001	LAC	HNP	35	B
P006474	Brazil	Sao Paulo Third Land Management Project	1998	LAC	Environment	55	B
P035673	Burkina Faso	Community-Based Rural Development Project	2001	AFR	Rural Sector	67	B
P003649	China	Shanxi Poverty Alleviation Project	1996	EAP	Rural Sector	100	B
P049665	China	Anning Valley Agricultural Development Project	1999	EAP	Rural Sector	120	B
P081924	Congo, Republic of	Emergency Recovery and Community Support Project	2003	AFR	Poverty Reduction	41	B
P008335	Croatia	Farmer Support Services Project	1996	ECA	Rural Sector	17	B

P007015	Dominican Republic	Provincial Health Services Project	1998	LAC	HNP	30	B
P070533	East Timor	Agriculture Rehabilitation Project	2000	EAP	Rural Sector	7	B
P043102	Egypt, Arab Rep	Second Social Fund Project	1996	MNA	Social Development	120	B
P075915	Ethiopia	Pastoral Community Development Project	2003	AFR	Rural Sector	30	B
P049386	Guatemala	Reconstruction and Local Development Project	1999	LAC	Social Protection	30	B
P007392	Honduras	Nutrition and Health Project	1993	LAC	HNP	25	B
P057350	Honduras	Interactive Environmental Learning and Science Promotion Project (PROFUTURO)	1999	LAC	Environment	8	B
P009961	India	Uttar Pradesh Sodic Lands Reclamation Project	1993	SAR	Rural Sector	55	B
P010449	India	Andhra Pradesh Forestry Project	1994	SAR	Rural Sector	77	B
P003953	Indonesia	Second Irrigation Sector (O&M) Project	1992	EAP	Rural Sector	225	B
P059477	Indonesia	Second Water Supply and Sanitation for Low Income Communities Project	2000	EAP	HNP	77	B
P073025	Indonesia	Second Kecamatan Development Project	2001	EAP	Social Protection	320	B
P007701	Mexico	On-farm and Minor Irrigation Networks Improvement Project	1994	LAC	Rural Sector	200	B
P007702	Mexico	Second Decentralization and Regional Development Project	1995	LAC	PSD	500	B
P007711	Mexico	Rural Development in Marginal Areas Project	1998	LAC	Rural Sector	47	B
P057530	Mexico	Second Rural Development in Marginal Areas Project (APL II)	2000	LAC	Rural Sector	55	B
P078053	Mozambique	HIV/AIDS Response Project	2003	AFR	HNP	55	B
P007786	Nicaragua	Social Investment Fund Project	1993	LAC	Social Protection	25	B

P071092	Pakistan	Northwest Frontier Province (NWFP) On-Farm Water Management Project	2001	SAR	Rural Sector	21	B
P044601	Peru	Second Rural Roads Project	2001	LAC	Transport	50	B
P004595	Philippines	Community Based Resources Management Project	1998	EAP	Rural Sector	50	B
P077012	Philippines	KALAHI-Comprehensive and Integrated Delivery of Social Services Project (CIDSS)	2003	EAP	Social Development	100	B
P045182	Rwanda	Rural Water Supply and Sanitation Project	2000	AFR	WSS	20	B
P041566	Senegal	Social Development Fund Program Project	2001	AFR	Social Protection	30	B
P074059	Senegal	HIV/AIDS Prevention and Control Project	2002	AFR	HNP	30	B
P074128	Sierra Leone	Health Sector Reconstruction and Development Project	2003	AFR	HNP	20	B
P058898	Tajikistan	Rural Infrastructure and Rehabilitation Project	2000	ECA	Rural Sector	20	B
P072317	Tunisia	Northwest Mountainous and Forestry Areas Development Project	2003	MNA	Rural Sector	34	B
P002957	Uganda	Small Towns Water and Sanitation Project	1994	AFR	WSS	42	B
P040174	Venezuela	Caracas Slum Upgrading Project	1999	LAC	Urban Development	61	B
P047110	West Bank and Gaza	Community Development project	1997	MNA	Social Protection	24	B
P070391	Yemen, Republic	Rural Access Improvement Project	2001	MNA	Transport	45	B
P045029	Zimbabwe	Rural District Council Pilot Capital Development Project	1997	AFR	Urban Development	12	B
P057345	Benin	Borgou Region Pilot Rural Support Project	1998	AFR	Rural Sector	4	C
P006501	Brazil	Municipal Development Project in the State of Rio Grande Do Sul	1990	LAC	Urban Development	100	C
P000205	Burundi	Second Urban Development Project	1989	AFR	Urban	21	C

					Development		
P037088	Cambodia	Social Fund Project	1995	EAP	Social Protection	20	C
P000405	Cameroon	Social Dimensions of Adjustment Project	1990	AFR	Social Protection	22	C
P000533	Chad	Public Works and Capacity Building Project	1994	AFR	Social Protection	17	C
P003589	China	Disease Prevention Project	1996	EAP	HNP	100	C
P000603	Comoros	Third Education Project	1997	AFR	Education	7	C
P006938	Costa Rica	Basic Education Project	1992	LAC	Education	23	C
P000818	Gambia, The	Agricultural Services Project	1993	AFR	Rural Sector	12	C
P000954	Ghana	Secondary Schools Project	1991	AFR	Education	15	C
P035688	Guinea-Bissau	National Health Development Program Project	1998	AFR	HNP	12	C
P009940	India	Seventh Population Project	1990	SAR	HNP	97	C
P010455	India	Cataract Blindness Control Project	1994	SAR	HNP	118	C
P003914	Indonesia	Third Community Health and Nutrition Project	1993	EAP	HNP	94	C
P001333	Kenya	Sexually Transmitted Infections Project	1995	AFR	HNP	40	C
P008515	Kyrgyz Republic	Social Safety Net Project	1995	ECA	Social Protection	17	C
P040199	Mexico	Basic Education Development Project	1998	LAC	Education	115	C
P082646	Nepal	Community School Support Project	2003	SAR	Education	5	C
P010456	Pakistan	Social Action Program Project	1994	SAR	Education	200	C
P052021	Panama	Second Basic Education Project	2001	LAC	Education	35	C
P008062	Peru	Social Development Fund Project	1994	LAC	Social Protection	100	C
P045091	Rwanda	Human Resource Development Project	2000	AFR	Education	35	C
P047319	Senegal	Quality Education for all Project	2000	AFR	Education	50	C

P002966	Uganda	Program for Alleviation of Poverty and Social Cost of Adjustment (PAPSCA) Project	1990	AFR	HNP	28	C
P002978	Uganda	Environmental Management and Capacity Building Project	1996	AFR	Environment	12	C
P009125	Uzbekistan	Health Project	1999	ECA	HNP	30	C
P004823	Vanuatu	Second Education Project	2001	EAP	Education	4	C
P071040	West Bank and Gaza	Second Palestinian NGO Project	2001	MNA	Social Protection	13	C
P064895	Honduras	Fifth Social Investment Fund Project	2001	LAC	Social Protection	60	F
P069086	Nigeria	Community Based Poverty Reduction Project	2001	AFR	Social Protection	60	F
P058202	Poland	Rural Development Project	2000	ECA	WSS	120	F
P068808	Romania	Second Social Development Project	2002	ECA	Social Protection	20	F
P073967	Romania	Rural Education Project	2003	ECA	Education	60	F

Source: World Bank. Data as of February 2004.

## Annex 5: Staff Survey Results

### (A) ADEQUACY OF RESOURCES TO EFFECTIVELY ADDRESS SAFEGUARD ISSUES RELATED TO CBD/CDD PROJECTS

	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree	Do not know
<b>AFR</b>	0%	14%	31%	33%	6%	14%
<b>EAP</b>	0%	23%	18%	36%	9%	14%
<b>ECA</b>	13%	27%	27%	7%	7%	20%
<b>LAC</b>	4%	23%	27%	19%	8%	19%
<b>MNA</b>	0%	17%	17%	33%	17%	0%
<b>SAR</b>	4%	17%	43%	17%	4%	13%
<b>Region not Specified</b>	0%	40%	0%	20%	0%	20%
<b>All</b>	3%	20%	28%	25%	7%	15%
<b>No. of Responses</b>	4	29	41	37	10	146

### (B) RELEVANCE OF CURRENT BANK SAFEGUARDS FOR CBD/CDD PROJECTS

	Very Satisfied	Satisfied	Somewhat Satisfied	Not Satisfied	No Basis	Total
<b>AFR</b>	2%	11%	50%	22%	15%	100%
<b>EAP</b>	0%	0%	48%	33%	19%	100%
<b>ECA</b>	0%	13%	33%	33%	20%	100%
<b>LAC</b>	8%	31%	27%	15%	19%	100%
<b>MNA</b>	0%	0%	20%	80%	0%	100%
<b>SAR</b>	0%	26%	26%	35%	13%	100%
<b>Region not Specified</b>	0%	20%	40%	20%	20%	100%
<b>Grand Total</b>	2%	16%	38%	28%	16%	100%
<b>No. of Responses</b>	3	22	54	39	23	141

## Annex 6: List of Key Documents

1. World Bank, OED, “Community-Driven Development: A Study Methodology,” July 29, 2003.

*The approach paper for the CBD/CDD Study. It provides definitions, a conceptual framework, the history of Bank support for participatory interventions, and the proposed study design and methodology, including the need for a thematic study on safeguards compliance. The paper was endorsed by the Board’s Committee on Development Effectiveness (CODE) on August 11, 2003.*

2. World Bank, OED Working Paper Series, “Community-Driven Development: Lessons from the Sahel, An Analytical Review,” Nalini Kumar, 2003.

*A background paper for the CBD/CDD Study, attempting to illuminate methodological questions. Based on a sample of 32 projects, it defines trends in Bank CBD/CDD lending and cites some issues for further analysis: whether past experience is being fully integrated into project design; problems of complexity in project design; constraints of the project approach; problems of continuity and long-term commitment; the importance of the sociological context; adequacy of attention to poverty impact; and, the necessity of full donor coordination. Safeguard issues are not specifically included.*

3. World Bank, OED, “Safeguard Policies: A Synthesis of Evaluative Materials,” Muthkumara Mani and Andres Liebenthal, September 1999.

*A modest review of selected documents, with an emphasis on natural resources management. Among the lessons highlighted are: the need for greater participation; the weakness of national policies and intersectoral coordination; limited emphasis on alternatives and the use of EIA to influence project design; and, above all, lax supervision.*

4. World Bank, QACU, “Community-Driven Development (CDD) Projects and Safeguard Policy Compliance: Guidance Note,” DRAFT, April 10, 2002.

*This discussion note—which does not have official standing—sets out detailed guidance for the preparation, appraisal, and supervision of CDD projects with respect to safeguards. It recommends an ‘FI’ classification and the use of a Framework EA for typical CDD projects, where the sub-projects are not known in advance.*

5. World Bank, ESSD and OPCS, “Safeguard Policies: Framework for Improving Development Effectiveness: A Discussion Note,” October 7, 2002.

*This discussion note has been released for public comment and is intended for eventual Board consideration. It proposes a number of measures to clarify the intent of the safeguard policies and improve their effectiveness. These include: strengthening supervision; strengthening borrower capacity and, in selected cases, delegating compliance responsibilities to borrowers; and, harmonizing procedures between donors.*

6. World Bank, LAC, “Environmental Guidelines for Social Funds,” Douglas Graham, Kenneth Green and Karla McEvoy, October 6, 1998.

*This first of the regional guidelines is directed at Social Funds but could easily be applied to other types of participatory interventions. It is descriptive rather than prescriptive but contains a lot of practical information on the potential impacts of typical sub-project types. It slightly predates the introduction of the ‘FI’ category but says that this category “would be used” in future for social fund projects, rather than the previous norm of Category B.*

7. World Bank, MNA, “TOR Preparation: Key Issues and Output—Community-Driven Development (CDD) Programs and Social Funds (SF),” ERM, (undated).

*MNA Region drafted guidelines for preparing Terms of Reference for EA studies of CDD/SF projects. It covers much the same ground as the other regional guidelines.*

8. World Bank, AFR, “Mainstreaming Safeguard Policy Compliance within Community-Driven Development Initiatives (CDDs) in World Bank—Funded Operations: An Exploratory Study Focussing on Africa, GOPA-Consultants, May 2001.

*Perhaps the most detailed of the regional guidelines, it deals both with procedures for project processing and with typical potential impacts, including a case study for Zambia. Though issued three years after the introduction of Category FI, it states that “Social Funds and CDDs will fall within the new category of F of financial intermediaries. In the past those type of projects were classified as Cat. C [sic]...”*

9. World Bank, SAR, “Environmental Management Mechanisms in CDD and Other Decentralized Implementation Frameworks: A Review of the India Portfolio,” (2 vols.), B. Rahill and S. Vaideeswaran, August 2003.

*This is a recent, detailed and thoughtful review of 27 “FI, Quasi-FI and CDD” projects in the India portfolio. It notes that safeguard procedures are in a state of flux and is concerned about the disconnect between the increasingly decentralized management of CDD projects and the Bank’s oversight responsibility on safeguards. It concludes with recommendations on the use of a “framework for managing environmental and social issues,”*

*mainstreaming safeguards into country procedures and the need for better Bank supervision.*

10. World Bank, OED Background Paper, “Review of Implementation of Safeguard Policies of World Bank Extractive Industries Projects,” Roger Batstone and Ramachandra Jammi, July 23, 2003.

*This assessment has similar objectives to the present Review and examines 38 projects in the extractive industries sector. It finds the majority of projects to be substantially consistent with applicable policies, with a modest improvement over time. Deficiencies include inadequate initial screening and lack of attention to safeguards in supervision. Recommendations are made with respect to screening, safeguard instruments, covenants, disclosure and consultation, monitoring, capacity building, strengthening of supervision teams and budgets, dissemination of best practice, and a possible independent safeguard auditing mechanism.*

11. World Bank, OED, “China: A Review of the Challenges Across Selected Sectors and Performance Assessment Reports,” Nalini Kumar, Soniya Carvalho, and Binyam Reja, June 20, 2003.

*This report is an overview of eight PPARs in the agriculture, forestry, health, education and transport sectors. Although safeguard policies per se are not the focus of the review, there is frequent reference to project and sector-related environmental and social issues, such as inadequate water resources management, pressure on groundwater reserves, water quality, and monocultures in re-forestation. Borrower resistance is noted to Bank requirements that are seen as “overly complex and stringent and not relevant to China’s development goals.”*

12. World Bank, OED, “China: Country Assistance Evaluation,” Gene Tidrick et al., December 29, 2003.

*A comprehensive review of all Bank assistance to China from FY93 to 02. Environmental issues are well integrated and the report notes that “Environmental safeguard policy has been highly variable, ranging from best practice to a rebuke from the Inspection Panel for not applying the Bank’s own safeguard procedures. Overall, the Bank has had a positive impact on the environment, but improving the coordination of environmental policy, especially water resources management, remains a considerable challenge.” The report argues for finding more efficient ways of implementing safeguards, through harmonizing procedures, developing local capacity and stronger public participation. It quotes QAG findings that two of six large projects were rated only marginally satisfactory, and that environmental mitigation for the whole sample was also marginal (in contrast to better results on resettlement, dam safety and indigenous people). The report notes borrower complaints on “overly rigid application of safeguard procedures.”*

13. World Bank, OED, “Mali: Natural Resources Management Project (Credit 2370)—Project Performance Assessment Report,” DRAFT, September 25, 2003.

*This assessment raised concerns about the environmental impact of the Baoule National Park component. It notes that the project’s environmental category was misclassified at appraisal. Therefore, inadequate attention was given to important environmental and social issues. During implementation also, the environmental issues were not flagged. The project resulted in changing the park boundaries and moving significant number of villages outside the park.*

15. World Bank. OED, “An OED Review of Social Development in Bank Activities,” Report No. 27945, February 17, 2004.

*The core of this review is a meta-evaluation of ten previous OED studies (on Gender, Post-Conflict Reconstruction, Non-Governmental Organizations, Participation, Rural Water, Resettlement, Cultural Heritage, CDD in the Sahel [reference 2], and Forestry. The report includes comments on the application of the social safeguards, describing the record as “disappointing or uneven” and incentives within the Bank as “weak.” Recommendations focus on staff development.*