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Promoting Environmental Sustainability in Development: A Review of the World Bank's Performance

- The Bank has made valuable contributions to environmental work. It has played a leading role in addressing global issues, helped many governments build environmental institutions and programs, mitigated the negative effects of its development interventions, produced high-quality policy analysis and economic and sector work, and promoted awareness of the linkages between the environment and development. But the momentum achieved in the early 1990s has slowed in the face of operational constraints.
- Environmental sustainability has not been adequately integrated into the Bank's core objectives or in its country and sector strategies. The linkages between macroeconomic policy, poverty alleviation, and environmental sustainability have not been made explicit.
- The environment lacks a consistent management commitment and clear assignment of responsibilities and accountabilities. Guidance, standards, and monitoring are needed to give staff the tools and incentives to mainstream environmental components in all Bank work.
- There are fundamental differences among member countries regarding the Bank's appropriate role in the environment, and many countries are reluctant to borrow for environmental projects and to implement Bank environmental policies.

About this Evaluation

This OED evaluation of the Bank's environmental performance has been timed to inform the preparation of the new Environment Strategy Paper. The evaluation is based on the synthesis of self-evaluation assessments of the Bank's environmental programs, case studies of selected countries, background reviews of selected areas, surveys and interviews of Bank staff, and consultations with stakeholders in the Regions. The OED team coordinated closely with the Environment Strategy team and shared information and drafts. An Advisory Panel reviewed drafts and served as a sounding board for the recommendations. (The recommendations of the Advisory Panel are shown in the box below.)

The Bank's Approach to the Environment

From the mid-1980s, following growing worldwide concerns about the compatibility of economic development with environmental sustainability, the Bank's stakeholders encouraged the Bank to increase its attention to the

environment. By the late 1980s, the environment had become one of the areas of highest priority for the donor community. Through the IDA9 replenishment agreement and other means, they urged the Bank to accelerate its efforts to support environmentally sustainable development through increased lending, greater attention in country programs and policy dialogue, and increased support for global and regional initiatives.

Since these commitments were made, the Bank has vastly expanded the level and scope of its environmental activities. Important achievements include the introduction of environmental concerns into the development agenda; the design and implementation of a great number and variety of environmental products, including projects, policy guidance, research, and training; the formulation of widely accepted guidelines on environmental matters; and the broadening of the Bank's reach through its leadership role in the global environmental debate and new partnerships with international and local organizations. At present, the Bank has about 250 environmental staff, has undertaken about 140 environ-

mental projects, and about 1,200 projects have been subject to an environmental assessment or review.

Progress Falls Short

Despite these achievements, the Bank has fallen short of the expectations of many stakeholders:

1. The integration of environment as a critical priority in the Bank's core objectives has been limited. For example, a review of a sample of 1992–99 CASS found that only half adequately addressed environmental issues. The cross-sectoral and thematic aspects of the environment received little emphasis, and the fundamental link between environmental sustainability and poverty reduction has not been pursued.
2. The Bank's safeguard policies to prevent or mitigate environmental harm in its projects, while sound in conception, were not accompanied by clear standards and consistently effective implementation—for example, the most recent QAG assessment of supervision quality found that for projects with safeguard aspects, the mitigation actions and arrangements for monitoring compliance were inadequate in 20 percent of cases. This has resulted in increased reputational risks and diversion of attention to damage control.
3. The Bank's efforts in dealing with global issues have been hampered by their inadequate linkage to local benefits and concerns. Operational constraints within the Bank bear some of the responsibility for this, as do conflicting views among member countries regarding the Bank's proper role in the environment and the reluctance of member countries to borrow for environmental projects and to implement Bank environmental policies, which many consider costly and rigid.

Recommendations

The three major shortcomings mentioned above must be addressed to restore the environment to its appropriate role in the Bank's holistic, long-term development agenda. It is recommended that the Bank:

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

Advisory Panel Recommendations

The external Advisory Panel convened by OED for the environmental review made the following additional recommendations:

1. The Bank's senior leadership must reassert environmental sustainability as a core element of the Bank's mandate.
2. The Bank's senior leadership must establish staff accountability for compliance with the Bank's environmental policies, and to this end, should re-centralize clearance authority on every project with environmental implications.
3. The Bank must dramatically improve its performance in mainstreaming environmental considerations into nonenvironmental lending and policy advice, which will require a significant realignment of staff incentives and more transparent accountability for mainstreaming.
4. The Bank must do a better job of identifying and exploiting synergies among environmental protection, economic development, and poverty reduction objectives within a sustainable livelihoods framework.
5. The Bank must harmonize its environmental strategy across the World Bank Group to ensure greater consistency and accountability, and to facilitate appropriate integration into private sector-oriented finance and policy advice.
6. The Bank has an important global leadership role to play on environmental matters through its convening power, and a responsibility to assist borrowers to comply with international commitments and norms.

These recommendations are consistent with and supportive of a broad, forward-looking vision of a Bank that will:

- Move beyond its current safeguards compliance model for dealing with environmental and social issues toward greater reliance on building borrower capacity to upgrade as needed and effectively manage their own policies.
- Enhance its leadership role by strengthening its commitment to deliver poverty reduction and sustainable growth in a socially and environmentally responsible manner.
- Become a model of corporate social and environmental responsibility by developing, adopting, and implementing the policies, attitudes, and behaviors that will put it at the forefront of progress in this area.



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