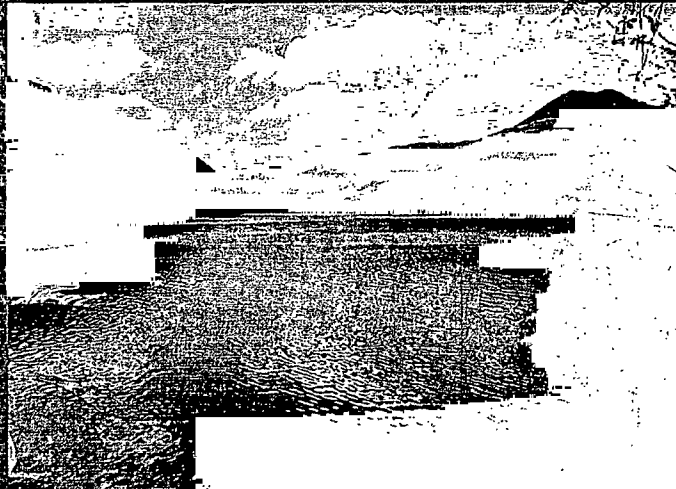


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May 2000

Third Environmental Assessment Review (FY 96-00)



Kenneth M. Green
Alison Raphael



Environment Department
The World Bank

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This is the third review of the World Bank's experience with environmental assessment (EA) policies and procedures. It builds upon the previous reviews that covered the periods 1989–92 and 1993–95, respectively. During most of the 1990s Bank operations followed the environmental requirements of Operational Directive (OD) 4.01, which came into effect in October 1991 and then was converted to Operational Policy (OP) 4.01 in January 1999. Several organizational changes have shifted responsibility for EA enforcement and Safeguards policies, including the creation of the Quality Assurance Compliance Unit. The report provides an overview of the lending portfolio, EA categorization, important sources of EA information and assimilates experience in the effectiveness and implementation of safeguards throughout the regions, several countries and various thematic groups. The experience to date on consultation and disclosure, as well as internal and external capacity building efforts, are presented. The growing body of EA-related information that is available in the Bank's diverse collection of knowledge management tools and repositories is summarized. Special topics are also highlighted and these include EA for adjustment operations, sectoral and regional assessments, country assistance strategies, new lending instruments and Poverty Reduction Support Credits. Finally, the new Safeguard Compliance System and the Bank's Environmental Strategy are featured as key initiatives to incorporate environment concerns into country development programs and investments. It is clear that there is still much work to be done to enhance the quality of the Bank's safeguard work, but there has been enormous progress as specified throughout this report.

Kenneth Green is a Senior Environmental Specialist and Alison Raphael a senior writer and editor, both working as consultants with the Environment Department of the World Bank.

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Kenneth M. Green
Alison Raphael

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Abbreviations and Acronyms

AFR	Africa Region
APL	Adaptable Program Loan
AROE	Annual Reports on Operations Evaluation
BP	Bank Procedures
BPD	Business Partners for Development
BTO	Back to Office Report
BW	Business Warehouse
CAS	Country Assistance Strategy
CDD	Community-Driven Development
CDF	Comprehensive Development Framework
CLEIAA	Capacity Development and Linkages for Environmental Impact Assessment—Africa
CITET	International Center for Environmental Technologies
CODE	Committee on Development Effectiveness
CRA	Comparative Risk Assessment
EA	Environmental Assessment
EAP	East Asia and Pacific Region
EASES	East Asia (Environment and Social Development Group or Social and Environmental Safeguard Group)?
EDS	Environmental Data Sheet
EIA	Environmental Impact Assessment
ELC	environmental loan covenant
ECA	Europe and Central Asia Region
EMP	environmental management plan
ESMAP	Energy Sector Management Assistance Program
ESSD	Environmentally and Socially Sustainable Development
ESW	Economic and Sector Work
FDI	foreign direct investment
FI	financial intermediary
GEF	Global Environment Facility
GP	good practice
IAD	Internal Auditing Department
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion Report

Abbreviations and Acronyms

IDA	International Development Association	PIC	Public Information Center
IFC	International Finance Corporation	PID	Project Identification Document
IFI	international financial institutions	PAD	Project Appraisal Document
IPDP	Indigenous Peoples Development Plan	PC	Public Consultation
ISDS	Integrated Safeguards Data Sheet	PCD	Project Concept Document
ISG	Information Solutions Group	PID	Project Information Document
ISO	International Organization for Standardization	PSAL,PSAC	Programmatic Structural Adjustment Loans and Credits
IUCN	World Conservation Union	PRSC	Poverty Reduction Support Credit
JSA	Joint Staff Assessment	PRSP	Poverty Reduction Strategy Paper
KM	knowledge management	PSI	Private Sector and Infrastructure
LCR	Latin America and Caribbean Region	QACU	Quality Assurance and Compliance Unit
LEG	Legal Department	QAE	Quality at Entry
LEGEN	Environment and International Law Unit	QAG	Quality Assurance Group
LIL	Learning and Innovation Loan	RAP	Resettlement Action Plan
MEIP	Metropolitan Environmental Improvement Program	REA	Regional Environmental Assessment
MELISSA	managing the Environment Locally in Sub-Sahara Africa	REU	Regional Environmental Unit
METAP	Mediterranean Environmental Technical Assistance Program	RMT	Regional Management Team
MIGA	Multilateral Investment Guarantee Agency	RSA	Rapid Supervision Assessment
MNA	Middle East and North Africa Region	RVP	Regional Vice President
NGO	Nongovernmental Organization	SA	Social assessment
NRC	Natural Resources Cluster (of BPD)	SAL	Structural Adjustment Loan
NRM	natural resource management	SAR	South Asia Region
OCS	Operational Core Services Network	SEA	Sectoral Environmental Assessment
OED	Operations Evaluation Department	SECAL	Sector Adjustment Loan
OP	Operational Policy	SF	Social Funds
OPC	Operational Policy Committee	TA	technical assistance
OPS	Operating and Policy Strategy	TF	Trust Fund
OVPs	Operational Vice Presidents	TM	Task Manager
		TOR	Terms of Reference
		TT	Task Team
		WBI	World Bank Institute
		WCD	World Commission on Dams
		WPRP	Western Poverty Reduction Project (China)

Executive Summary

This document is the third of three reviews of World Bank progress in the field of environmental assessment (EA), which now forms part of broader social and environmental safeguard policies. The reviews were undertaken to identify areas of progress and ongoing challenges; this report covers the period FY96–00 and highlights the Bank’s long-term strategies to improve overall EA performance. The second EA Review was published in late 1997. While some of the progress cited in the present report is due to improvements made in response to EA-II’s recommendations, other responses have required more time to develop, in particular the new Safeguard Compliance System and the Bank’s new Environmental Strategy. These two mechanisms are highlighted in the final chapter, in an effort to show the road the Bank plans to follow in the future.

The first chapter traces key moments in the evolution in the “rules of the game” governing EA, in particular the conversion of Operational Directive (OD) 4.01 (1991) into Operational Policy 4.01 (1999), and explains the implications for work in the field. It also looks at internal changes within the Bank during the five years under review, and how these have shifted responsibility for ensuring enforcement of EA and Safeguards policies. The creation of the Quality Assurance Compliance Unit within the Environmentally and Socially Sustainable Development (ESSD) Network is mentioned as an important innovation. The chapter also notes the key problem areas pinpointed by the second EA review, including: the need for both internal and external capacity building in EA; more and better public consultations and analysis of alternatives; greater use of sectoral and regional EA early in the project process; tightening of legal covenants related to the environment in Bank documents; better supervision, and more involvement by environmental specialists in key phases of EA. Finally, it explains the methodology and limitations of the Third EA Review Report.

Chapter 2 introduces the Bank’s new Safeguard Policies and provides a profile of the Bank’s current portfolio. In 1999, environmental assessment processes were modified and other safeguard policies that cover, for example, indigenous and displaced peoples, pest management, and forestry began revision. The Bank has taken a number of concrete steps to ensure that the safeguards are put into practice Bank-wide, such as providing corporate interpretations of Bank policies

via ESSD safeguard specialists, in coordination with Regional Safeguard Coordinators, and introducing new systems to track operations with safeguard requirements. These and other steps to make the safeguard policies an integral part of Bank operations are described in the second chapter. With very few exceptions, application of the 10 safeguard policies has seen steady improvement over the last several years throughout the Regions.

In regard to the portfolio, the review found that over the past five years the size has remained fairly stable, despite volatility in annual lending levels. The regional composition, however, has shifted; the Africa and South Asia Regions' portfolios have shrunk while Europe and Central Asia Region's share has grown. The sectoral composition also reflects new Bank priorities such as basic health, social protection and public sector reform. Net commitments have also remained relatively stable, with only slight declines. The shift away from large infrastructure projects toward smaller operations supporting institution building, innovation, and human development contributes to the decline in the Bank's lending levels through reduction in the average project size.

In the third chapter this Review takes a specific look at EA/safeguard effectiveness and implementation by examining the results and conclusions of 16 assessments undertaken during the period under review. The assessments, prepared by entities such as the ESSD Network, the Operations Evaluation Department, and Bank Regions, cover studies of operations in particular countries, sectors, and regional portfolios, as well as the conclusions of three Quality Assurance Group assessments.

Some of the main themes emerging from these reviews include:

- Although Category A projects are being handled increasingly well, Category B projects often require closer attention.
- Too many projects with serious impacts on the environment are mistakenly categorized as "B" rather than "A," so that key elements such as analysis of alternatives and potential environmental impact on a wider area than the project site, public consultations, and supervision do not receive adequate attention.

The categorization issue and the related question of the Bank's incentive system and how it affects such decisions need to be addressed.

Another theme repeated in many of the reviews is the importance of involvement by environmental specialists. Such involvement, both in the early stages of project design and later, during supervision, is seen by several of the reviews as a factor contributing toward greater success in meeting safeguard provisions. Yet the most recent QAG assessment revealed that even some Category A projects are not being overseen by environmental specialists. One of the barriers is clearly cost; the reviews suggest that greater reliance on local specialists and more local capacity building may be the best way to improve environmental supervision, including monitoring of environmental management plan implementation, given resource restraints.

Consultation and disclosure issues were raised in several of the reviews, particularly in relation to projects located in China. Another persistent theme was the need to develop better tools to identify underlying and long-term environmental and social impacts of Bank activities. That is, staff need to become more skilled at looking beyond the immediate project area to see the broader implications of changes likely to occur—to the environment or to the people located nearby—as a result of planned activities.

Despite these shortcomings, the sum of the assessments reviewed shows that the Bank has made tangible progress in many areas of EA/safeguard performance. Several of the reviews note that the more recent the project, the more likely it is to be in compliance with Bank safeguard policy. Findings of the most recent Quality Assessment review—no projects were rated unsatisfactory for environmental aspects and no Category A projects received ratings below "satisfactory"—demonstrate tangible progress. This is undoubtedly due, in good part, to the training and guidance efforts undertaken over the last five years.

Two areas that have received considerable attention over the past few years, and show resulting improvement, are public disclosure of information and public consultations on the EA process. Chapter 4 takes a close look at progress in these two areas. Reviews of Bank progress on public consultations are encouraging. More than

three-quarters of projects reviewed were holding consultations at the two stages when they are required, and the quality of the consultations was also improving steadily. Studies demonstrating the positive impact of consultations, among other factors, have apparently helped to convince Bank staff and clients of the value of bringing public opinion into the EA process at critical moments, disclosing project information in a timely and appropriate manner, and involving local citizens in monitoring and evaluation of environmental projects. A set of recommendations for improving public consultations—such as more training for Bank staff, improved record-keeping, and improving the country legal environment—should contribute toward ongoing positive results. In regard to disclosure and supervision, the Review found that while some projects demonstrate best practices, in other cases compliance is spotty. Systems have been put in place to improve the record on disclosure within the Bank, through the collection of information in the InfoShop and Public Information Centers in several countries.

The fifth chapter focuses on two aspects of EA quality. It begins by looking at efforts to make project legal documentation reflect the new safeguards by tightening contractual language and the terms of reference (TORs) for consultants working on EA. The Legal Department, having reviewed EA-related language in 50 projects, is developing a guide to help project staff craft more adequate contractual documents and thus avoid legal loopholes that have permitted noncompliance in the past. While some attention has been devoted to sharpening TORs, this is an area requiring greater awareness and consideration.

The bulk of chapter five consists of a review of the critical area of capacity building—both within and outside the Bank and through projects specifically aimed at institutional development (ID) in client countries. ESSD, the Regions, and the World Bank Institute have undertaken diverse training initiatives, which undoubtedly have contributed to improvements noted throughout the report. A new, on-line Safeguards Training Course being developed and tested at the time of this writing should constitute a particularly useful tool for continuing these efforts, given that it addresses all safeguard concerns and can be used anywhere in the world.

Finally, a 1999 review of 28 institution-building projects identified some key problems specific to client countries (such as the “newness” of environmental issues and the agencies handling them) and the Bank (time pressures, incentives). A common theme is that managing environmental issues frequently requires cross-sectoral approaches and coordination, which is not the way that most countries or the Bank are accustomed to operating. The study reported, however, that newer projects are more likely to be more realistic in setting goals and defining roles and responsibilities and more innovative, as well as tending to place greater emphasis on public participation. These findings echo those of other studies reviewed in the present report and point to progress in the Bank’s ID work. Some important recommendations for the future include ensuring client-government ownership and commitment to environmental ID projects; recognizing the long-term character of institution building and shaping project timetables accordingly; and changing incentives for task managers to remove or ameliorate the time pressures under which they operate.

Chapter 6 covers a topic germane both to building capacity in EA and improving results on the ground: Bank efforts to provide useful tools to staff, and expanding knowledge and understanding of safeguards. It examines new resources and tools created during the period under review and the Bank’s progress in the area of knowledge management (KM) for EA/safeguards. One of the recommendations made in the second EA report was to continue publishing “Environmental Assessment Sourcebook Updates”; since 1996 11 new updates were produced, offering Bank staff concrete information about, and strategies for improving, various aspects of their EA work. In addition, three Regions have produced detailed handbooks offering step-by-step guides to the EA process, and other Bank units have produced material covering EA in specific types of projects, such as mining and road-building. By clarifying the steps and timing, roles and responsibilities, and technical procedures for carrying out each of these phases, these materials constitute an important body of knowledge designed to provide staff with the tools they need to carry out high-quality EA/safeguards work.

Knowledge management, the other principal focus of this chapter, has been accelerating through eight principal means. These include linking the community of practitioners; developing a helpdesk/advisory service and a directory of expertise; making development statistics available on-line; collecting operational information and making it accessible; providing an electronic space for dialogue, where internal and external parties can express their views, exchange information, and receive answers; and expanding internal and external access to information. The chapter offers details on these KM initiatives.

During the time-period covered by this report, the World Bank has developed several new lending instruments, some of which are subject to EA/safeguards. Chapter 7 discusses the results of a review of the use of EA in sector adjustment loans (SECALs); in structural adjustment lending (SAL), where EA is currently recommended, but not required; and in sectoral and regional lending, adaptable program loans, and learning and innovation loans. The chapter also examines two other new Bank operational tools, Country Assistance Strategies (CASs) and Poverty Reduction Support Credits (PRSCs), and their links to environmental assessment and overall safeguard policies.

Information available on EA implementation and quality for all of these instruments is fairly scanty, as they are relatively new and, in some cases, their relationship with EA and safeguards was not clearly established from the outset. A 1999 review of SECALs found that most were not adequately addressing environmental issues or EA; SALS, which do not require EA, are also problematic in terms of defining policy and reform effects on social and environmental issues. Sectoral EAs are being carried out with growing frequency, but regional EA occurs only rarely. A review of CASs found that environmental issues are generally not mainstreamed into the strategies, and the same was found to be true of PRSPs, although some best practices were identified. Clearly a more uniform approach to the application of safeguard policies is required for this series of new instruments, to clarify requirements for staff and clients and facilitate application of good practice in one

area to others. As the present review was being prepared, a more integrated approach to safeguards and EA was being developed by the Bank, as is explained in the final chapter.

The innovations discussed in chapter 8 are the Environment Department's new "Environment Strategy" and Bank efforts to develop conditions that will lead to greater safeguard compliance. The conversion of OD 4.01 into a series of operational policies covering all 10 areas covered by safeguards is being complemented by efforts to provide greater clarity and alignment of policies, and by guidance to staff in the form of more guidelines and training, as well as a new "Help Desk" devoted to helping staff work with safeguards. Steps are also being taken to ensure a systematic approach to safeguard policies across instruments, in response to the problems outlined in chapter seven. At the same time the Quality Assurance and Compliance Unit and the Bank's Legal Department are developing an integrated system of review and clearance to cover all 10 safeguard policies and their associated disclosure requirements. Another key element of the new compliance system will be improvements in the categorization and coordination of the preparation and supervision of safeguard policies.

The Environment Strategy addresses many of the other issues raised throughout this review. It stresses the importance of mainstreaming environment into country development programs, CASs, and investments. It focuses especially on ensuring that environmental issues are identified early in the project development stage and on the need for increased supervision during project implementation. It also calls for a redoubled focus on broad-based capacity building in client countries and increasing country ownership of environmental policies and programs.

Together, these two converging forces constitute a robust response to the accumulated knowledge on environmental assessment reflected in this and earlier EA reviews and other reviews mentioned throughout this report. They offer a clear sense of the future direction that the Bank will take to ensure the quality and successful incorporation of social and environmental considerations into Bank lending operations.

Chapter 1 Highlights

BACKGROUND

Third in series of EA reviews. Bank policy and safeguards shifted with conversion to OP 4.01 from OD 4.01. Bank reorganization with new regional safeguard units as part of an ESSD network.

PREVIOUS EA REVIEWS

- Institutional Aspects
- Quality of Environmental Assessment
- Effectiveness of EA in Project Preparation
- Project Implementation: EA Experience
- Special Issues

Conclusions of previous reviews with action points that identified the need to improve guidance to staff, expand training, improve legal framework for loans, expand participation of environmental and social specialists in project supervision for Category A and B projects. Focus on Category B projects and expand safeguard applications, increase use of sectoral and regional EAs.

PRESENT EA REVIEW

Review implementation of action items, overview of safeguard polices and new safeguard compliance system over the last five years (1996–2000). Link progress in safeguard application to Bank Environmental Strategy.

Overview and Purpose

1.1 Background

The World Bank has accumulated a decade of experience in assessing the environmental impact of its investment projects. This report represents the third in a series of documents that review the effectiveness of the Bank's environmental assessment (EA) policies and procedures. The first review was carried out in 1992, three years after the advent of Operational Directive (OD) 4.0, which obliges the Bank to carry out EAs. The second review covered the period FY93–95, following a 1991 amendment to OD 4.0.

The Bank's Articles of Agreement establish the legal mandate for its activities; operational policies define the "rules of the game" by which these activities are carried out. Broadly speaking, such rules may be based on specific instructions that have been codified by Senior Management and issued as Operational Manual statements for guidance to staff. In the late 1990s the Bank began to convert Operational Directives—which combined elements of policy, procedure, and guidance—into separate short statements of *mandatory* policy (Operational Policies—OPs), *mandatory* instructions for carrying out the policy (Bank Procedures—BPs), and *advice* on good practice.¹ Bank management continues to update the Operational Manual so that staff, clients, shareholders, and external stakeholders can understand what is *required* under Bank policies, as distinguished from what may be *encouraged* or *desired*.

During most of the 1990s, Bank operations followed the environmental requirements of OD 4.01, which came into effect in October 1991. Experience and feedback with this and other related administrative requirements from both environmental and operational staff led to a series of consultative and review processes that culminated in the release of Operational Policy 4.01 in January 1999, which became effective in March 1999.²

Overall, the two have many strong similarities; specific changes are reflected in terminology or the addition of new lending instruments (such as Adaptable Program Loans and Learning and Innovation Loans), as well as, for the first time, requiring EA procedures for sector adjustment loans (SECALs). In addition, OP 4.01 includes more directives to use other Bank references, such as the *Pollution Prevention and Abatement Handbook*, and references to international standards.

The OP identifies a range of instruments that can be used to satisfy the Bank's EA requirements: environmental impact assessment (EIA), regional or sectoral EA, environmental audit, hazard or risk assessment, and environmental management plans. When a project is likely to have sectoral or regional impacts, a sectoral or regional EA is required.

1.2 Categorization

Modest changes are evident for undertaking environmental screening of each proposed project to determine the appropriate extent and type of EA. The Bank classifies proposed projects into one of four categories, depending on the type, location, sensitivity, and scale of the project and the nature and magnitude of its potential environmental impacts. Under OD 4.01 these categories were A, B, and C. OP 4.01 adds a category covering financial intermediaries (FI). The essentials of each category are presented below.

Category A: A proposed project is classified as Category A if it is likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works. EA for Category A projects must examine the project's potential negative and positive environmental impacts, compare them with those of feasible alternatives (including a "without project" scenario), and recommend measures to prevent, minimize, mitigate, or compensate for adverse impacts and to improve environmental performance. For a Category A project, the borrower is responsible for preparing a report, normally an EIA (or a suitably comprehensive regional or sectoral EA) that includes, as necessary, elements of the other EA instruments referred to in the policy.

Category B: A proposed project is classified as Category B if its potentially adverse environmental impacts on human populations or environmentally important areas—including wetlands, forests, grasslands, and other natural habitats—are less widespread than those of Category A projects. Such impacts would be site-specific; few if any would be irreversible; and in most cases mitigatory measures could be designed more readily than for Cat-

egory A projects. The scope of EA for a Category B project varies from project-to-project, but overall, it is narrower than that of a Category A EA. Like the Category A EA, it examines the project's potential negative and positive environmental impacts and recommends measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance. The findings and results of Category B EAs must be described in the appropriate project documents (Project Information Document and Project Appraisal Document).

Category C: A proposed project is classified as Category C if it is likely to have minimal or no adverse environmental impacts. Beyond screening, no further EA action is required for a Category C project.

Category FI: A proposed project is classified as Category FI if it involves investment of Bank funds through a financial intermediary, with subprojects that may result in adverse environmental impacts. For a financial intermediary operation, the Bank requires that each FI screen proposed subprojects and ensure that sub-borrowers carry out appropriate EA for each subproject. Before approving a subproject, the FI should verify (through its own staff, outside experts, or existing environmental institutions) that the subproject meets the environmental requirements of appropriate national and local authorities and is consistent with OP 4.01 and other applicable Bank environmental policies.

When appraising a proposed FI operation, a review of the adequacy of country environmental requirements relevant to the project and the proposed EA arrangements for subprojects should be prepared. The review should also identify the mechanisms and responsibilities for environmental screening and review of EA results. When necessary, the project should include components to strengthen such EA arrangements. For FI operations expected to have Category A subprojects, prior to the Bank's appraisal, each identified participating FI must provide to the Bank a written assessment of the institutional mechanisms (including, as necessary, identification of measures to strengthen capacity) for its subproject EA work. When the Bank is not satisfied that adequate capacity exists for carrying out an EA, all Category A subprojects (and, as appropriate, Category B

subprojects, including EA reports) are subject to prior Bank review and approval.

OP 4.01 also directs attention to emergency recovery projects processed under OP 8.50 (*Emergency Recovery Assistance*). This OP states that when compliance with any requirement of the policy would prevent the effective and timely achievement of the objectives of an emergency recovery project, the Bank may exempt the project from such EA requirements. Nonetheless, the Bank requires, at a minimum, that the extent to which the emergency was precipitated or exacerbated by inappropriate environmental practices be determined as part of the preparation of such projects, and that corrective measures be built into either the emergency project or a future lending operation.

The OP also states that when a borrower lacks the legal or technical capacity to carry out key EA-related functions (such as review of EA, environmental monitoring, inspections, or management of mitigation measures) for a proposed project, the project should include components to strengthen that capacity.

1.3 Bank Reorganization

Since the second EA review was produced, the World Bank has undergone important restructuring exercises, which have changed the organization of all of its units and the designation of staff, including those responsible for environmental assessment. At present, environmental issues are addressed mainly by the Environmentally and Socially Sustainable Development (ESSD) Network, which is composed of three departments: Environment, Rural, and Social Development. ESSD has four “cross-cutting” teams covering: forestry, sustainable land resource management, water, and quality and compliance. Each team includes environmental specialists, ecologists, and relevant advisers. In addition, each of the Bank’s six geographic Regions has numerous staff members working specifically on environmental issues, who are known as the “environment family” within that region. Responsibility for safeguard issues is the primary responsibility of the Regional Environmental

Unit, which is the focal point for technical support to Task Teams, including review of all safeguard documents (such as environmental data sheets, EAs, and EIAs) as well as “clearance” of safeguard project requirements.

Under the new structure, the Quality Assurance and Compliance Unit of the Environment Department was given responsibility for producing the third Environmental Assessment Review (EA-III). Finally, the World Bank Institute (WBI, formerly the Economic Development Institute) and the Bank’s Operations and Evaluation Department both play an important role in, respectively, internal and external training on environmental issues and evaluating the performance of Bank projects for environmental (and other) factors.

Since OD 4.0 became operational, and with the shift to OP 4.01, the concept and practice of environmental and social assessment has become widely accepted, as global environmental issues have assumed a higher profile and the consequences of ignoring environmental problems have become more widely known and understood. Many international development agencies have adopted similar requirements, and many governments have adopted their own regulations and procedures for assessing environmental impact. Moreover, the issue of environmental and social impact of development projects has assumed a highly visible position on the radar screen of civil society groups worldwide. Given its leadership role in environmental and social safeguards, it is all the more important that the Bank constantly assess the strengths and weaknesses of its own operations, as the development process overall can benefit from the results of such exercises.

1.4 Previous EA Reviews

The key conclusions of the first EA Review (EA-I)³ are presented in Box 1.1; overall the report found that EA was functioning and producing results, but required improvement in a number of areas. The suggestions made in EA-I formed the basis for the second EA review (EA-II), which concluded with a series of recommendations in the form of “Action Points” that, in turn, serve as a starting point for the current review.

Box 1.1 Main Findings of First EA Review

- **The EA Process is operative and producing results:**

Procedures for environmental screening, EA initiation, and review are fully operative. The EA process demonstrated its usefulness in helping borrowers to identify environmental issues and problems and to examine and determine ways to avoid, minimize, or mitigate negative environmental impacts. The EA requirement generally did not delay project preparation, and costs were within acceptable limits. The Review also found evidence of capacity-building effects of OD 4.0 in some borrowing countries. Moreover, the EA process often increased awareness of environmental issues and raised the level of commitment to environmental management. Borrower demand for EA training and technical support increased during the period reviewed.

- **Challenges and areas for improvement:**

Among the key findings in this area were: (a) consistency in screening decisions was not yet satisfactory, and more guidance was needed; (b) scoping (rapid field investigation to help determine the scope of an EA) and preparation of EA terms of reference need stronger attention by the Bank; (c) public consultation in the EA process was generally weak; (d) design and site alternatives were often not adequately analyzed, and EAs were sometimes undertaken too late in the planning process to influence major decisions; (e) mitigation, monitoring, and management plans were often insufficiently developed; and (f) EAs frequently had only a limited impact on project design.

- **New issues:**

There was a perceived need to move the EA process upstream to an earlier stage in the borrower's investment planning process by way of sectoral and regional EAs. Another need revealed by the review was for strengthening EA training among Bank staff and in client countries. Finally, it was observed that resource needs for EA (for both project preparation and implementation) were likely to increase considerably in coming years and needed to be appropriately budgeted.

EA-II addressed all of these issues, as well as some new matters.⁴ It began by examining institutional aspects of environmental assessment, and went on to look at the quality of EA for Category A projects, the effectiveness of EA in project preparation, the EA experience in project implementation, and "special issues," such as category B projects, regional and sectoral EAs, financial intermediary lending, and EA approaches in privatization. For each topic the review included one or more "action points," or areas in which it was recommended that the Bank focus extra effort to improve EA performance. Given their importance as suggestions for future EA work, these action points are summarized here and serve as a reference point for the current review. Overall, the findings of the second review were quite posi-

tive; the summaries below, however, focus on problem areas, as they represent the main points requiring action in the period covered by the present report.

1.4.1 Institutional Aspects

The review found that, as might be expected, more on-the-ground experience and growing acceptance of EA had led to progress in the Bank's work in this field. Two issues, nonetheless, were singled out as requiring greater attention: supervision of EA-related measures and the Bank's capacity to deal with the growing numbers of projects requiring EA. These problems were found to be related, and to require a rethinking of the amount of human and financial resources devoted to EA.

Action Points:

(1) *The Bank will strengthen internal EA training by initiating a targeted program over the next two fiscal years that will include basic EA training for all Task Managers of Category A and B projects, supplementary in-depth training for Task managers of Category A projects, and briefing sessions on EA for Country Department Directors.*

(2) *The Bank will seek to improve EA capacity in borrowing countries. It will develop training strategies for each of the six operation regions and selected countries, according to need. Based on these strategies, regional training programs will be delivered, through the combined efforts of the World Bank Institute and regional environmental staff and through combined efforts with other multi- and bilateral agencies.*

1.4.2 Quality of Environmental Assessment

The second review noted that the quality of an EA depends on the accuracy of the impact predictions made, the responsiveness of the consultation process, and the appropriateness of mitigation, monitoring, and institutional measures taken. EA quality, evidently, cannot be fully evaluated until project completion. With this in mind, a survey of Category A projects was designed, rating them according to six categories: impact assessment, alternatives considered, public consultation, mitigation plan, monitoring plan, and management plan. More than 75 percent of the projects fell into the “good” or “excellent” range for most categories, except in the areas of public consultation and alternatives considered.

Since a key purpose of EA work is to identify investment alternatives from an environmental perspective, the low rating in this area was an important concern. Some of the reasons cited were: failure to make this need explicit in consultant terms of reference, the timing of the project preparation process, potential political sensitivity, and lack of skills to seriously examine alternatives. Public consultation, meanwhile, is key to the identification of environmental impacts and the design of mitigation measures, so weakness in this area is also critical to the success of the EA process.

Action Point:

The Bank is already in the process of responding to these challenges. For example, improved guidance to staff and borrowers in the form of EA Sourcebook Updates is being prepared on economic analysis in EA, analysis of alternatives, and environmental management plans. The expanded EA training efforts mentioned in the previous section are also expected to lead to improved EA quality, as well as actions to strengthen the preparation of EA Terms of Reference, particularly in the area of public consultation and analysis of alternatives.

1.4.3 Effectiveness of EA in Project Preparation

EA can be judged effective if it helps to safeguard ecological functions, ensures sustainable use of natural resources, and protects community values. While long-term effectiveness can only be verified well after project completion, it is nonetheless important to assess the impact of EA on projects during the preparation and implementation stages. The second review found about 25 percent of Category A projects to be “highly” effective, meaning that they had a strong influence on project design, and that this influence was manifested in the Staff Appraisal Report and project legal documents. Nearly 60 percent were found to be “partially” effective, and more than 15 percent had an effectiveness rating of “low.” While part of the problem is attributable to country-related factors, another part could be addressed if the Bank would take steps to incorporate EA more thoroughly into key stages of the project preparation process, such as screening, EA preparation, and incorporation into legal and other project documentation.

Action Points:

(1) *The Bank will develop mechanisms—including financial ones—to facilitate the early (upstream) use of sectoral and regional EAs. Additional guidance will be developed, along with training manuals.*

(2) *Unless actions and recommendations derived from the EA are adequately referenced in loan and credit agreements, there is no legally binding borrower commitment to implement*

them, unless required under domestic law. Draft BP 4.01 therefore reinforces this aspect of OD 4.01, and the Bank will take other steps to strengthen the link between EAs and project legal documentation. An EA Sourcebook Update will be prepared to provide guidance on the preparation of environmental legal conditions and covenants.

1.4.4 Project Implementation: EA Experience

Because many of the projects under review were just getting under way or still far from completion at the time of the second EA review, EA-II focused on 74 Category A projects approved between FY91 and FY94 to assess the emerging implementation experience, using mainly supervision reports and mid-term reviews. The projects analyzed were found to be above average for both overall performance and for environmental ratings (the latter are prepared by the project supervision team). However EA-II pointed out that these ratings should not be simply taken at face value, since the system for producing them suffers from some flaws. Interestingly, when environmental specialists participated in the environmental rating, the latter was usually lower than if no such specialist was involved, suggesting the importance of environmental specialists in identifying environmental problems. The most serious gap noted in this chapter was the overall weakness of project supervision; another was the lack of precision in legal documents in regard to supervision requirements.

Action Points:

(1) As of FY 97, all Category A projects will have an environmental or social specialist participating at least annually in supervision. The same will be true for sensitive Category B projects. In addition the Bank's Quality Assurance Group (QAG) will undertake assessments of supervision quality to enhance in-house accountability in this area. Other measures will include: giving greater attention to key environmental aspects in the development of implementation performance and impact indicators and when preparing supervision plans, and more use of local environmental specialists and nongovernmental organizations in project monitoring.

(2) Steps will be taken to ensure that bidding and contract documents incorporate environmental actions derived from EAs, so that contractors can understand what is expected of them in the environment area. The Bank will pay stronger attention to this important step during supervision and develop guidance for incorporating and reflecting EA-derived measures in bidding documents and construction contracts.

1.4.5 Special Issues

EA-II touched upon five areas considered to be "special issues," which were not examined in depth, but raised as matters to be examined more closely in the future.

Category B Projects. As mentioned earlier, a project is classified as Category B if "its potential adverse environmental impacts on human populations or environmentally important areas... are less adverse than those of Category A projects, and the impacts are site-specific; few if any are irreversible; and in most cases mitigatory measures can be designed more readily" than for Category A projects. (OP 4.01, para. 8). In these cases decisions about the appropriate environmental approach are left to Task Team Leaders, with technical support from the corresponding Regional Safeguard unit. A need for improvement was noted regarding: (a) project documents, which need to be more explicit about the type of environmental analysis to be performed; (b) mitigation and other actions, which should be more explicitly included in implementation plans and budgets; and (c) staff resources for support to Category B EAs, which should be increased, especially for supervision. EA-II also noted that more follow-up is required for projects that have been reclassified from Category A to Category B.

Sectoral and Regional EA. Sectoral and regional EAs make project work easier by generating information, eliminating the most negative proposals from an environmental perspective, and allowing project EAs to narrow their scope to site-specific issues. They are usually carried out "upstream" (early) in the project cycle, and seek to address broader environmental issues, including policy and strategic choices. In so doing, they ad-

vance the goal of ensuring that potential environmental problems are identified and considered at an early enough stage to allow time for the consideration of alternatives, when necessary. The main issue identified in regard to regional EAs was that they are very rarely utilized.

Financial Intermediary Lending. The growing number of loans to financial intermediaries for support of private-sector activities raises the issue of how to ensure that the potential cumulative environmental impacts of such loans are taken into consideration. EA-II recommended that the Bank develop measures to appraise and strengthen implementing agencies' capacity for screening, preparing, and reviewing environmentally significant subprojects. In addition, the Bank's practice of incorporating "environmental due diligence" into such feasibility and appraisal procedures was recognized to be of growing importance and require greater attention, in terms of defining good practices and producing operational guidance.

EA Approaches in Privatization. As the Bank assists client countries to privatize formerly public enterprises, it has not escaped notice that many of these enterprises are in sectors that have potential environmental implications, such as mining, oil and gas development and distribution, and water and sanitation services. This raises the issue of risk assessment and management for both human health and the environment, as well as responsibility for past and future pollution impacts. Environmental audits have increasingly been used in such situations, in conjunction with sectoral environmental assessments. EA-II notes that screening and classification for such projects require special attention, and that projects should be classified according to the potential significance of environmental impact.

Guarantees. EA-II refers briefly to the Bank's increased use of guarantees in its large-scale development projects—most of which involve infrastructure activities that are likely to have environmental impact, and thus demand the same EA procedures as other investment projects. The Bank recognizes the need to improve its influence of the overall environmental management of these projects, even though it is only a partial supporter

of a larger investment that may have numerous private- and public-sector partners.

1.5 Present EA Review

This retrospective covers the issues raised in EA-II, as well as two important new areas that have emerged in the intervening years: safeguard policies and the Bank's new safeguard compliance system. At the same time, based on reading of documentation and discussions with staff, the review takes note of several new challenges that have arisen and new approaches that have been successful in the area of environmental and social safeguard applications.

The structure and methodology of the present review is designed to provide insight into what the Bank has learned since EA-II and highlight the framework of the Bank's prospective environmental safeguard strategy as it has been defined during 2000 and 2001. Chapter 2 describes the new safeguard policies, sources of safeguard-related information, and an overview of the Bank's portfolio, including trends in Category A, B, and C projects. Chapter 3 brings together the issues of "effectiveness and implementation" of EA by summarizing the results of some 20 studies carried out in recent years and the QAG and Inspection Panel processes and products. Chapter 4 discusses the results of a review of progress on public consultations and the trends regarding disclosure. Chapter 5 examines Bank legal language in EA-related documents and improvements in terms of reference, and details actions taken on training and institutional development. Chapter 6 includes a comprehensive review of the many guidelines, handbooks, and other knowledge management products prepared to improve the quality of environmental assessment in the Bank. Chapter 7 addresses "special issues," including sectoral and regional EA, SECALS, other new Bank lending instruments, and Country Assistance and Poverty Reduction Strategies. Finally, chapter 8 covers the new safeguard compliance system and the recent Bank Environmental Strategy.

Given the many changes that have occurred since the second EA review was prepared, this report has had to utilize a somewhat different methodology. EA-III is based on, and describes, the many

types of documents that have been produced on the subject of safeguards and environmental assessment over the past four years. Included in this mix are, for example, handbooks and guidelines produced by the Bank's Regions and other units to explain safeguard policies and assist staff in their compliance effort (chapter 6), and a series of reviews by different Bank units of EA performance that appear in several chapters. The latter have different focuses; some cover Category A and B projects, others look at performance in a particular sector, while several focus on a particular topic, such as supervision or public consultation.

These studies provide a rich and broad-based sense of the evolving strengths and weaknesses of EA/safeguard performance, but unfortunately do not lend themselves to comparison or yield a conclusive, Bank-wide "report card." Review and analysis of these reports was accompanied by discussions with Bank staff, a review of training exercises in WBI and the Regions, and an examination of other papers produced by Bank staff, some of which were commissioned for this report, that offered insight into the issues covered.

Notes

1. *Operational Policy Retrospective and Post-Compact Agenda: Issues Paper*, October 1, 1999.

2. Specifically, OP and BP 4.01 together replaced OMS 2.36, *Environmental Aspects of Bank Work*; OD 4.00, Annex A, *Environmental Assessment*; OD 4.00, Annex B, *Environmental Policy for Dam and Reservoir Projects*; OD 4.01, *Environmental Assessment*; and the following Operational Memoranda: *Environmental Assessments: Instructions to Staff on the Handling of the Borrower's Consultations with Affected Groups and Relevant Local NGOs*, 4/10/90; *Environmental Assessments: Instructions to Staff on the Release of Environmental Assessments to Executive Directors*, 11/21/90; and *Release of Environmental Assessments to Executive Directors*, 2/20/91.

3. Environment Department, *Annual Review of Environmental Assessment 1992* (Washington, D.C.: World Bank, 1993).

4. Environment Department, *The Impact of Environmental Assessment: A Review of World Bank Experience*, World Bank Technical Paper 363 (Washington, D.C.: World Bank, 1997).

Chapter 2 Highlights

INTRODUCTION

Overview of environmental and social safeguard policies and focus on safeguard compliance and development effectiveness. Establishment of QACU and other management commitments to strengthen safeguard applications are discussed.

INFORMATION SOURCES FOR PROJECT SAFEGUARDS

A multitude of documents, reports, and project cycle products provide safeguard information, and an overview is provided for each with essential safeguard items highlighted.

BANK DATABASES CONTAINING SAFEGUARD INFORMATION

- InfoShop
- ImageBank 3
- World Development Sources
- Project Search Database
- ESSD Core Database
- IRIS
- Business Warehouse/SAP
- Project Search Database

This section provides useful insight to navigate through the multitude of Bank databases and associated project level storage bins, with web links provided to ease the way for interested users.

PORTFOLIO PROFILE

Over the past five years, the portfolio size has remained fairly stable, despite the large volatility in annual lending levels. The regional composition, however, has shifted; the AFR and SAR portfolios have shrunk while ECA's share has grown. The Bank's active portfolio at the end of FY00 consisted of 1,578 operations representing net commitments of \$117.5 billion, which included \$15.3 billion of new IBRD/IDA lending. There are 21 countries with 20 or more projects under supervision, with the two largest number of projects per country being China and India, with 113 and 76 projects respectively, and these same two countries dominate the lending portfolio in terms of commitments. Review of the portfolio over the five-year period 1996 through 2000 shows that there are 600–770 active A and B projects—more or less half of all active projects—in the Bank portfolio. Usually, there are 100–150 active A and about 500–600 B projects per fiscal year. Review of the portfolio activity indicates that there are approximately 120 new A and B projects entering the active portfolio every FY, of which 10 percent are A projects.

Overview of Safeguard Policies and Portfolio Profile

2.1 Introduction

Beginning in 1999, Bank management applied the term “safeguard” to describe the collection of Operational Policies whose primary objective is to ensure that Bank-funded operations are designed to protect those who might be adversely affected by them and that projects do not cause unacceptable harm to the environment.

These 10 safeguards are summarized in Box 2.1. Consequently, the Bank now addresses its “environmental assessment” (EA) performance in a broader context that encompasses all issues related to “environmental and social safeguard policies.” Central to this policy shift was the conversion of OD 4.01 to OP 4.01 in March 1999 (Table 2.1).

During the past 10 years the Bank has modified, amended, and/or expanded several of these policies to ensure that its projects incorporate specific safeguard provisions. Bank management and the numerous operational arms of the Bank have undertaken several actions over the last five years to improve the performance of Bank projects with regard to these safeguards. There has also been a concomitant *increase in the development impact of safeguards*, as countries incorporate these concerns into their own policy frameworks. To this end the Bank is: (a) assisting clients in national capacity building; (b) working with other development partners to achieve more harmonious policies; and (c) helping in the process of aligning national policies with global concerns. These multiple expectations—while offering the opportunity to increase the development impact of safeguards—pose a unique challenge for the Bank.

Against the background of these concerns, Bank management has progressively strengthened the process of safeguard compliance, and is attempting to improve the development effectiveness of safeguard policies. The challenge is to maintain a close integration of safeguard compliance with country policy agendas, while addressing the issue of consistent application of policies throughout the Bank. Management, therefore, has strengthened reporting lines and accountability from Regional safeguard staff to the center.

Box 2.1 World Bank Environmental and Social Safeguard Policies

- **Environmental Assessment (OP/BP 4.01).** Outlines Bank policy and procedures for the environmental assessment of Bank lending operations. Environmental consequences should be recognized early in the project cycle and taken into account in project selection, siting, planning, and design by preventing, minimizing, mitigating, or compensating for adverse environmental impacts and enhancing positive impacts.
- **Natural Habitats (OP/BP 4.04).** States that the Bank does not support projects involving the significant conversion of natural habitats, unless there are no other feasible alternatives for the project and its siting, and unless comprehensive analysis demonstrates that overall benefits from the project substantially outweigh the environmental costs. If the EA indicates that a project significantly converts or degrades natural habitats, the project must include mitigation measures acceptable to the Bank.
- **Pest Management (OP 4.09).** The policy supports safe, effective, and environmentally sound pest management. It promotes the use of biological and environmental control methods. An assessment is made of the capacity of the country's regulatory framework and institutions to promote and support safe, effective, and environmentally sound pest management.
- **Involuntary Resettlement (OD 4.30).** Involuntary resettlement as used in this policy covers both (a) the involuntary displacement (physical and nonphysical) of affected peoples that arises from change in land or water use, loss of productive assets, or loss of income or means of livelihood, whether or not the people move to another location; and (b) the measures for mitigating the impacts of displacement. This policy has been revised in FY 99/00 with the direct participation of technical Bank staff representing various networks. It also benefited from a four-month external consultation process, in which the drafting team received and reviewed nearly 300 comments from NGO representatives, resettlement researchers, and government officials from around the world. This draft was recently approved by the Operational Policy Committee (OPC) to go to the Committee on Development Effectiveness (CODE) and subsequently to the Board in FY 01. The Resettlement Sourcebook, which will synthesize best practices in resettlement and provide guidance to staff in application of the policy, will also be available by the end of the calendar year.
- **Indigenous Peoples (OD 4.20).** This directive provides guidance to ensure that indigenous peoples benefit from development projects, and to avoid or mitigate adverse effects of Bank-financed development projects on indigenous peoples. Measures to address issues pertaining to indigenous peoples must be based on the informed participation of the indigenous people themselves. In FY 99/00 Bank staff discussed an approach paper for revisions to this policy both internally and externally. A first draft of the revised policy was prepared in FY00 and discussed internally. This document was subsequently revised by technical staff working in collaboration with the Legal Department, and the second draft was discussed with the Regions in late CY00 and submitted to CODE with submission to the Board by the end of FY 2001. In parallel with the process, implementation guidelines (GP 4.20) for the new policy are being prepared.
- **Forestry (OP/GP 4.36).** This policy statement provides guidance to Bank staff involved in forestry projects, detailing that the Bank will not finance commercial logging operations or acquisition of equipment for use in primary moist tropical forests. In forests of high ecological value, the Bank will finance

Bank management has directed operational staff to integrate safeguards into overall compliance requirements as part of the renewal process and in the broader context of corporate risk management over the last several years. The responsibility for

overall Bank policy compliance rests with the six Regional vice presidencies, which is consistent with the effort to devolve decisionmaking and resources closer to the operational front line. Decentralization, both in the Regions and at the level

only preservation and light, nonextractive use of forest resources. The objectives are to provide for a sustainable stream of direct or indirect benefits to alleviate poverty, and to enhance community income and environmental protection.

- **Cultural Property (OPN 11.03).** Originally issued as an Operational Policy Note 11.03, it has undergone extensive revision. The Bank policy is to assist in cultural property preservation and take actions to avoid their elimination. Specifically, the Bank normally declines to finance projects that will significantly damage non-replicable cultural property, and will assist only those projects that are sited or designed so as to prevent such damage. The Bank will assist in the protection and enhancement of cultural properties encountered in Bank-financed projects, rather than leaving that protection to chance. The conversion of the policy on cultural property builds on the lessons of experience with the resettlement and indigenous peoples policies. An oversight group made up of experts in the cultural resources management field has provided guidance to the drafting team, and the revision of the policy has benefited from both an internal review of current operational trends and a survey of international best practice. The final draft will be available for OPC and CODE consideration in 2002. Implementation guidelines (GP 4.11) being developed separately will be finalized following approval of the policy.
- **Safety of Dams (OP/BP 4.37).** When the Bank finances a project that includes the construction of a new dam, it requires design and construction supervision by experienced and competent professionals. The borrower is also required to implement certain dam safety measures for the design, bid tendering, construction, operation, and maintenance of the dam and associated works. For small dams, generic dam safety measures designed by qualified engineers are considered adequate. For large dams—dams that are 15 meters or more in height, or are between 10 and 15 meters and present special design complexities—the Bank requires special reviews by an independent panel of experts. Review requirements include design, construction, plans for construction supervision and quality assurance, instrumentation, operations and maintenance, and emergency preparedness. The Bank requires prequalification of bidders during procurement and bid tendering and periodic safety inspections of the dam after completion.
- **International Waterways (OP/BP/GP 7.50).** The Bank recognizes that the cooperation and goodwill of riparians is essential for the efficient utilization and protection of international waterways and attaches great importance to riparians making appropriate agreements or arrangements for the entire waterway or any part thereof. Projects requiring clearance include hydroelectric, irrigation, flood control, navigation, drainage, water and sewerage, industrial, and similar projects that involve the use or potential pollution of international waterways.
- **Disputed Areas (OP/BP/GP 7.60).** Projects in disputed areas may occur between the Bank and its member countries as well as between the borrower and one or more neighboring countries. Any dispute over an area in which a proposed project is located requires formal procedures at the earliest possible stage. The Bank attempts to acquire assurances that it may proceed with a project in a disputed area if the governments concerned agree that, pending the settlement of the dispute, the project proposed can go forward without prejudice to the claims of the country having a dispute.

of project responsibility, has helped improve the Bank's application of safeguards at the operational level. At the same time, this has elicited some new challenges in ensuring consistency and quality of safeguard application. Starting in FY99, a deci-

sion was made to increase corporate oversight through establishment of a stronger Quality Assurance and Compliance Unit (QACU). This unit functions within the Environmentally and Socially Sustainable Development (ESSD) Network, as part

Table 2.1 Differences between OD 4.01, *Environmental Assessment*, dated October 1991, and OP 4.01, *Environmental Assessment*, dated January 1999

Elements	OD 4.01	New OP/BP/EP 4.01 (effective 3/1/99)
Terminology	<ul style="list-style-type: none"> Environmental assessment means EA process or report generated for Category A projects. Environmental analysis is for Category B projects. 	<ul style="list-style-type: none"> EA is the process that is specific to each operation, both category A and category B projects. Any report resulting from the process is an EA report.
Scope	<ul style="list-style-type: none"> Project components cofinanced by other donors are not subject to EA. Definition of area of influence is referred to in a footnote to OD 4.00, Annex B—<i>Environmental Policy for Dam and Reservoir Projects</i>. 	<ul style="list-style-type: none"> Regardless of whether the components are financed by IBRD/IDA, the project that is described in Schedule 2 of the pertinent loan/credit agreement is subject to EA. Definition of area of influence is explicit in OP, Annex A, para. 5.
Screening Categories	<ul style="list-style-type: none"> Provides three categories, A, B, and C. For FILs/SILs, the Bank reviews EA of sub-projects known prior to project approval; also appraises implementing agency's capability to review EA. 	<ul style="list-style-type: none"> Adds a fourth category, FI, for financial intermediary projects. The implementing institution or financial intermediary is responsible for carrying out appropriate EA for all subprojects, and the Bank appraises the arrangements and capabilities of doing so.
Analysis of Alternatives	Included in Annex B as part of the outline of project-specific EA report.	Included in para. 2 of the OP as "EA evaluates a project's potential environmental risks and impacts in its area of influence, <i>examines project alternatives</i> ."
New Instruments	Not included.	APLs and LILs are included as footnote.
Sector Adjustment Loan (SECAL)	Not included.	SECALs are subject to environmental assessments.
Structural Adjustment Loan (SAL)	Not included.	Excluded from EA.
Sectoral and regional EA	<ul style="list-style-type: none"> No definition provided. Discusses cases when regional or sectoral EA may be "efficient or useful." 	Definitions of sectoral and regional EA are provided in Annex A. Sectoral and/or regional EA is required when the project "is likely to have cumulative or regional impacts."
Emergency Recovery Projects	Do not normally require a full EA.	Apply to projects processed under OP 8.50, <i>Emergency Recovery Assistance</i> . However, exception could be made.
Environment Mitigation or Environment Management Plan	Included as an Annex C.	Specifically required in the OP and also included as Annex C. OP strengthens and clarifies the role of the EMP by specifically listing EMP as a component of the category A project EA report, and specifically citing EMP provisions related to the implementation of the EA.
Use of <i>Pollution Prevention and Abatement Handbook</i>	Not included.	Available as guidance. The EA may recommend alternative emission levels and approaches to pollution prevention and abatement of the project. Exceptions should be rare.
Compliance with International Treaties	Not explicitly specified.	<i>Specified</i> . The Bank does not finance project activities that contravene country obligations under relevant international environmental treaties and agreements.

Elements	OD 4.01	New OP/BP/GP 4.01 (effective 3/1/99)
Public Consultation	<ul style="list-style-type: none"> The Bank expects the borrower to take into account the views of affected groups and local NGOs. For category A projects, consultation occurs twice: <ul style="list-style-type: none"> shortly after EA category is assigned once EA report has been prepared 	<ul style="list-style-type: none"> For all category A and B projects the borrower consults project-affected groups and local NGOs. For category A projects, consultation occurs twice: <ul style="list-style-type: none"> shortly after screening and before EA TORs are finalized (scoping) once a draft EA report is prepared
Independent EA Experts and Panels	<ul style="list-style-type: none"> For projects with potentially adverse environmental impacts (dams, resettlement), borrower should retain independent EA experts. For high-risk A projects, the borrower should retain an advisory panel of independent internationally recognized environmental specialists. Link between the two requirements was unclear. 	<ul style="list-style-type: none"> For all category A projects, the borrower retains independent EA experts. For highly risky and contentious projects, the borrower should also engage an independent advisory panel.
Disclosure and Distribution of Information	<p><i>Mandatory for A projects only.</i> Information should be provided by the borrower in a form that is meaningful for, and accessible to, the groups being consulted:</p> <ul style="list-style-type: none"> Disclosure of information as provided in two stages: at project scoping, and once the EA report (for category A projects) has been prepared. Borrower makes the EA report available at some public place accessible to official groups. Bank should obtain permission in principle for the release of the EA report to the EDs. 	<p><i>Mandatory for A and B projects.</i> The borrower provides relevant materials in a form and language that are understandable:</p> <ol style="list-style-type: none"> For Category A projects <i>prior to appraisal</i>: <ul style="list-style-type: none"> Same as OD. EA available at the Bank's Infoshop. For category B projects financed by IDA <i>prior to appraisal</i>: <ul style="list-style-type: none"> Same as A. For category B projects financed by IBRD for which a separate EA report is required (no time period given for the submission of EA report): <ul style="list-style-type: none"> EA report available in a suitable public location in the borrowing country. Available at the Bank Infoshop when received. Guarantee operations: <ul style="list-style-type: none"> A or B report must be submitted before <i>end</i> of appraisal. For IBRD guarantee: A report at InfoShop 60 days before Board, B report 30 days. For IDA guarantee: same as loans. <p>Borrower's permission to release the EA report is still required.</p>
Environmental Audits	Not referred to.	Included as an another type of EA reports.
Field Visit by Environmental Specialists	Necessary for category A projects.	<ul style="list-style-type: none"> Necessary for category A projects. Desirable for category B projects (footnotes in the BP).

Box 2.2 Changes to Enhance Safeguard Compliance

Management commitments to improve Bank compliance with its safeguard policies include several specific initiatives. At the end of FY99 several changes were introduced within the Bank to enhance compliance with safeguards. The changes included:

- A process to fully align safeguard approaches across the Regions
- Holding Regional vice presidents accountable for transparent, biannual safeguard risk assessments, including senior ESSD Network participation, to identify a list of high-risk tasks to be monitored at the corporate level
- Assigning to QACU accountability for “corporate sign-off” on high-risk operations identified through this process
- Assigning Regional accountability for safeguard performance to Directors, who are members of the ESSD Council
- Mandating off-the-top regional funding (as opposed to country or project funding) for Regional Safeguard Coordinators
- Providing dedicated, nonfungible resources to the regions, the ESSD anchors, and the Legal Department to strengthen their review, advisory, and monitoring activities
- Providing one-stop corporate interpretations of Bank policies, via ESSD safeguard specialists in coordination with Regional Safeguard Coordinators
- Introducing Bank-wide systems to track operations with safeguard requirements and monitor spending on safeguard compliance.

of the Environment Department (Box 2.2). Among the QACU’s functions are increasing the flow of information between the Environment Department and the Regions, through the formal establishment of a Safeguard Steering Committee, and linking safeguard work in operations by physically locating Regional safeguard teams and Regional units together.

Compliance with the Bank’s environmental and social policies has been the responsibility of the Regions for several years. However, the introduction of matrix management¹ in FY98 shifted some of this responsibility among Regional units, Sector Boards, and Network Anchors. In FY00 management decided to shift from a mainly decentralized approach to compliance toward an integrated, corporate system. The new system is designed to achieve compliance with safeguard policies without significantly reducing the benefits of decentralized decisionmaking and task team empowerment, which has helped improve the quality of Bank prod-

ucts and client responsiveness in recent years. It relies on a strong central team closely integrated with the regional units and Safeguard Coordinators, operating with central technical oversight and dual reporting arrangements to ESSD and the Regions. A strengthened Quality Assurance and Compliance Unit in the ESSD Anchor oversees the interpretation and implementation of safeguard policies.

Application of the 10 key safeguard policies has seen steady improvement over the last several years throughout the Regions, with very few exceptions. Although there are no universal assessments for all safeguards, compliance with safeguard policies has been measured, in part, through the Bank’s internal quality assurance process (undertaken now on an annual basis by the Quality Assurance Group) for both quality at entry and supervision (Rapid Supervision Assessment) (see chapter 3).

Compliance with safeguard policies has become an integral element of the Bank’s internal quality assurance process in all aspects of the project cycle

during the last several years. Project preparation and implementation require specification of provisions to ensure that safeguards are properly addressed. Since 1998 an annual corporate oversight process, the QAG review, has been reviewing quality at entry and supervision, and has increasingly scrutinized safeguard performance, as measured by environmental and social criteria. These reviews indicate that while performance on safeguards is improving, the Bank's goal of full compliance with all safeguard policies has not been achieved.²

A second major influence in Bank safeguard oversight has been the role of the Inspection Panel. Starting in 1994, the Inspection Panel has served to provide independent review of Bank operations. The Panel may receive complaints for violations or construed violations of policy statements or Bank procedures. Recent Inspection Panel documents summarize the history of events for six projects³ that provoked allegations of Bank violations of environmental and social safeguard policies and procedures. Each project case study contains sufficient information, on a case-by-case basis, to permit an understanding of how compliance is interpreted by the Panel. During the latter stages of FY00 the Panel also released its Investigation Report on the Qinghai Project, a component of the China Western Poverty Reduction Project that has caused considerable scrutiny from Bank management and operations (see chapter 3).⁴

2.2 Information Sources for Project Safeguards

Numerous documents contain information related to project safeguards. Chapter 4 lists several documents that must be made available to the public through disclosure requirements, including:

- *Project Concept Document*
- *Environmental Data Sheet*
- *Project Information Document*
- *Environmental Assessment*
- *Resettlement Action Plan*
- *Indigenous Peoples Development Plan (IPDP)*

Other sources of information that need to be reviewed to identify safeguard information and related issues include several standard Bank project

documents that are issued during different stages of the project cycle. These sources of information are generally available to Bank staff, and sometimes to external researchers, and are stored in one or several regional and central Bank databases (discussed later in this chapter).

Project Appraisal Document (PAD). In July 1997 the Bank's Executive Directors approved the use of this new project document (mandatory after August 1997) for investment operations, to replace the Staff Appraisal Report. The main body of the document contains a collection of general country- and sector-specific information related to loan activities. It also contains a general background presentation on the Country Assistance Strategy, main sector issues, and government strategies and sector issues to be addressed by the project. The project description summary describes the project components, development objective, benefits, and target population, as well as institutional and implementation arrangements. It has sections on environmental and social assessment and the participatory approach. Another section assesses the quality of a project and identifies its critical risks. A list of the main institutional conditions and compliance issues, including safeguards, is also included. Annexes may or may not contain details on EA, environmental management plans, Resettlement, IPDPs, Integrated Pest Management, and other safeguard measures. The PAD contains sufficient technical information to be included in the Memorandum and Recommendation of the President (MOP) and Legal Agreement, and serves as a guide for project implementation. It also identifies critical performance indicators that serve the Bank and Borrower in monitoring project performance.

Logical Framework (LogFrame). The LogFrame is required in all PADs (presented as annex 1 in the PAD). It identifies the project objectives and all components, with outputs, and contains a concise list of all project-related activities and associated performance indicators. For some projects the safeguard monitoring indicator will be listed, but this is rare.

Staff Appraisal Report. Prior to August 1997, the Staff Appraisal Report was the technical report in

which Bank staff identified project components, assessed project quality, and identified critical risks. It contained sufficient technical background for inclusion into the MOP, and served as a guide for project implementation. It also identified critical performance indicators that serve the Bank and borrower in monitoring project performance. For projects assigned to Category A, an annex to the Staff Appraisal Report summarized the EA. The last annex contained a list of selected documents and data available in the project file.

Memorandum and Recommendation of the President. The MOP is the basis on which the Bank's Executive Directors make decisions on the proposed project. It incorporates confidential or sensitive material that is removed from the PAD following negotiations, if such material is of interest to the Board in its decisionmaking. It summarizes the technical sections of the PAD and lists specific loan conditions and covenants, often safeguard-related.

Report and Recommendation of the President. This report is specifically used for Adjustment Loans, instead of the PAD. It contains general information on the economic condition of the country and particular sectors that the loan or credit will address. There is usually some discussion of government strategies for the sector to be addressed and a section on policy reform actions. The rationale of the project is presented with an overview of the proposed loan or credit. Some of these reports contain language addressing environmental and social issues, especially Sector Adjustment Loans. A "Letter of Development Policy" is attached as an annex, along with a policy matrix that lists areas of intervention, objectives, measures and sections, and a timeframe. Safeguard-related issues can be identified in this matrix.

Environmental Assessment. The specific EA instrument depends on the type of project, as stated previously. It may be an environmental impact assessment (EIA), regional or sectoral EA, environmental audit, hazard or risk assessment, or environmental management plan. These reports are always separate technical volumes that are part of the project files sent to the Infoshop. All EAs are

listed separately for each project in the ImageBank, and can be retrieved through a project ID search. For Category A projects the EA is usually summarized as an Annex in the PAD. For Category B projects the EA may be a separate report, described in the PAD annex or briefly mentioned in the main body of the PAD under the section on environmental assessment.

Loan, Credit, or Project Agreement. For all loans a Loan Agreement records the amount of the loan and the terms and conditions on which it is made. It obligates the borrower to carry out the project with due diligence and efficiency and in conformity with specified standards, and it records the borrowers' general commitment to the project objectives. The Loan Agreement contains a clear and succinct description of (a) the purpose (the specific policy, institutional, social, environmental, financial, or physical objectives) of the project; (b) the development results that the project is expected to produce; and (c) the activities or components by which the expected development results are to be achieved (whether such activities/components are to be financed by the Bank, other donors, the borrower, or an executing agency). Most Bank Loan Agreements rely on standard covenants whenever possible but also have covenants that are tailored to the specific responsibilities of the parties and cover safeguard matters.

Back to Office Report. (BTO). After each project mission, Bank staff and consultants file a technical report with the task team (TT) leader. These reports summarize the activities conducted during the mission and address any critical issues. In consideration of safeguard policies, the reports from environmental and social specialists are generally an excellent source of safeguard information. When further information, borrower follow-up, or additional research are required, the BTO generally specifies what needs to be done, who will do it, and a timeframe.

Aide Memoire. The task team leader synthesizes all technical input from TT members and issues the Aide Memoir with review and concurrence from the counterpart authorities. Specific actions needing additional attention are identified, including

safeguard items, and schedules for addressing these requirements indicated

Project Supervision Report (PSR). The PSR is a two- to three-page summary of key project information assessments by the supervision task team of various aspects of project performance and risks and the issues affecting project implementation and the corresponding remedial actions. It is an internal reporting tool that draws on the Aide Memoire used by supervision TTs for external dialogue with the borrower. Project performance assessments in individual PSRs provide the basis for assessing the performance of the Bank's portfolio of projects under implementation. A table lists the 10 safeguards, permitting identification of compliance status. Environmental and resettlement components of projects, irrespective of their environmental category, are rated according to the following scale: highly satisfactory, satisfactory, or unsatisfactory. These ratings afford the opportunity to describe the degree to which safeguard matters are being implemented and to identify associated problems. There is also a summary of issues and actions that can track over time the status of addressing project safeguard implementation issues.

Implementation Completion Report (ICR). The ICR is the official project document used to summarize the project implementation history at the end of disbursement. A standard set of information includes discussion of how the project achieved its program objectives, major factors affecting the project, program sustainability, and comments on Bank and borrower performance. Social and environmental objectives are evaluated as substantial, partial, or negligible. A summary table lists all legal covenants. Three covenant categories apply to safeguards: environmental, involuntary resettlement, and indigenous peoples; the final status is listed as complied, complied after delay, partially complied, or not complied.

Operations Evaluation Department (OED) Evaluation Summary. OED reviews each ICR and completes this report. The OED summary provides an independent overview on several rating criteria, and a section on "significant shortcomings" that includes pointers to non-compliance with safeguard policies, if warranted.

2.3 Bank Databases Containing Safeguard Information

The multitude of Bank project information is now stored, archived, and sometimes interactively accessed through different databases. Each database has its own particular purpose, and it is not uncommon for different databases to contain different types of information for the same project. Additional challenges for retrieving project information is that there has been little integration between regionally based databases and central Bank databases. The reason for this apparent shortcoming to the occasional user is that the history of each database is associated with specific needs, such as financial or supervision record-keeping. Particularly frustrating is that there is not a single unifying code for a project. For example, one database uses the project ID as its record identifier while another may use only the project loan number, resulting in an inability to use different databases with one search strategy. In the past, search queries were not user-friendly, and it required the skills of long-time, specific database users to assist researchers in navigating or extracting information from the databases.

Annex 2.1 provides an overview of the most important databases containing safeguard-related information. There are also different access rules for these databases; some are only available for internal Bank staff, while others are available to external users.

2.4 Portfolio Size and Composition

Over the past five years, the portfolio size has remained fairly stable, despite the large volatility in annual lending levels. (See Box 2.3.) The regional composition, however, has shifted; the Africa Region (AFR) and South Asia Region (SAR) portfolios have shrunk while Europe and Central Asia (ECA) Region's share has grown. The sectoral composition also reflects new Bank priorities such as basic health, social protection and public sector reform.

2.4.1 Portfolio Size

With the upgrading of the Bank's information systems in FY00, Trust Fund (TF) Programs were integrated into the overall portfolio alongside the

Box 2.3 Portfolio Size and Composition—Key Conclusions

Over the past five years, portfolio size has remained fairly stable despite the large volatility in annual lending levels. Noteworthy developments include:

- The sectoral composition is changing to reflect Bank priorities in basic health, social protection, and public sector reform. In contrast, rural development lending has continued to decline, raising questions about the efficacy of the Bank's rural poverty strategy. Also of note is the stagnation in the education sector portfolio.
- There has been a substantial shift in regional composition; the AFR and SAR portfolios have shrunk while ECA's share has grown.
- Two new lending instruments, APLs and LILs, are growing in importance.
- Conceptual difficulties as well as data limitations are constraining analysis of the likely poverty impact of the current portfolio or its alignment with the International Development Goals.

regular IBRD/IDA portfolio.⁵ Including the TF Programs, the Bank's active portfolio at the end of FY00 consisted of 1,578 operations representing net commitments of \$117.5 billion (table 2.2).⁶

The size of the IBRD/IDA portfolio has remained fairly stable for the past five years, with net commitments declining marginally, mostly for the IBRD portfolio. FY00 lending (\$15.3 billion) was sharply lower than the record levels of the prior two years (average of \$28.8 billion), and also well below the FY92–97 average (\$21.5 billion). Having peaked in the wake of the 1997–98 global financial crisis, demand for IBRD funds subsided in FY00 as financial markets recovered and emerging market economies regained access to private capital flows. IBRD lending to crisis borrowers—

Argentina, Brazil, Indonesia, South Korea, Russia, and Thailand—which accounted for \$13 billion in FY99, was down to just \$1.8 billion in FY00. To a lesser extent, IDA lending also declined in FY00, reflecting the confluence of country-specific factors (as was the case, for example, in Pakistan, Ethiopia, Côte d'Ivoire, and Zimbabwe). Lending performance over the past few years suggests a leveling of overall demand, as well as greater volatility in demand due to increased reliance by IBRD borrowers on private capital markets. The shift away from large infrastructure projects toward smaller operations supporting institution building, innovation, and human development contributes to the decline in the Bank's lending levels through reduction in the average project size.

Table 2.2 Bank Portfolio, FY95–FY00

Funding Source	Number of Projects			Net Commitments (\$B)		
	FY95	FY99	FY00	FY95	FY99	FY00
IBRD	780	777	764	87.9	83.6	80.3
IDA	716	731	729	37.1	37.5	36.1
Subtotal	1,496	1,508	1,493	125.0	121.1	116.4
TF	N/A	N/A	85	N/A	N/A	1.1
TOTAL Nominal	1,496	1,508	1,578	125.0	121.1	117.5
Real ^a				126.5	125.1	117.5

a Based on the following deflators for commitments: FY95, 101.1; FY99, 103.3; FY00, 100.0.

2.4.2 Instruments

The active portfolio continues to be dominated by traditional investment projects, accounting for just over 70 percent of the total both in terms of number of projects and net commitments. Adjustment lending, although only 4 percent of operations, accounts for 13 percent of commitments. The apparent dominance of investment lending is, however, somewhat misleading, since the portfolio is a snapshot of loans active at the end of the fiscal year, with many fast-disbursing loans, particularly single tranche adjustment loans, under-

represented in the portfolio—meaning that they can be disbursed in a short period of time and closed off the “books” and not recorded as active loans at the end of the fiscal year.⁷ Financial intermediary loans have declined substantially over the same time period. Two new lending instruments introduced in FY98 have grown in importance. In FY00 the adaptable program loans—multi-stage, adaptable investments—were 12 percent of new approvals by number and 8 percent by net commitment. The new learning and innovation loans were comparable in terms of number but less than 1 percent in terms of net commitments (see Table 2.3).

Table 2.3 Portfolio Distribution by Instrument

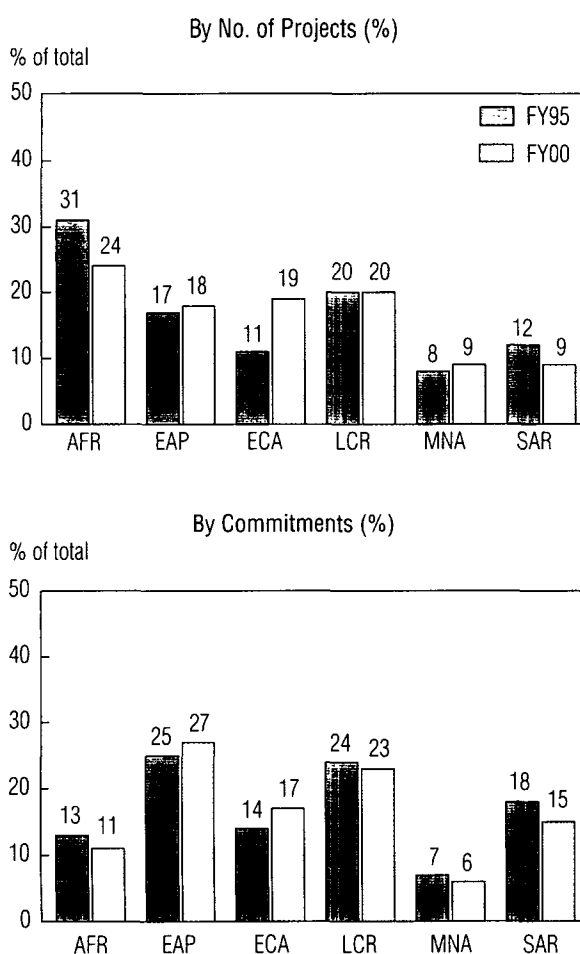
	IBRD		IDA				Total			FY00 ^a
	FY95	FY99	FY00	FY95	FY99	FY00	FY95	FY99	FY00	
Projects										
<i>Adjustment</i>										
Expanded Cofinancing Operation										1
Rehabilitation Loan	6			5			11			
Sector Adjustment Loan	12	14	15	29	11	9	41	25	24	24
Structural Adjustment Loan	10	14	12	17	22	20	27	36	32	32
Total adjustment	28	28	27	51	33	29	79	61	56	57
<i>Investment</i>										
Adaptable Program Loan		19	34		20	34		39	68	68
Emergency Recovery Loan	10	14	15	11	15	13	22	29	28	31
Financial Intermediary Loan	47	18	15	13	9	8	60	27	23	24
Learning & Innovation Loan		16	26		26	43		42	69	70
Specific Investment Loan	555	574	544	473	514	495	1,030	1,089	1,039	1,117
Sector Investment & Maintenance Loan	88	44	42	92	46	39	180	90	81	81
Technical Assistance Loan	49	63	61	76	68	68	125	131	129	130
Total investment	749	748	737	665	698	700	1,417	1,447	1,437	1,521
Overall result	777	776	764	716	731	729	1,496	1,508	1,493	1,578
Commitments (US\$ M)										
<i>Adjustment</i>										
Expanded Cofinancing Operation										0
Rehabilitation Loan	1.6			0.3			1.9			
Sector Adjustment Loan	3.0	4.5	5.6	2.1	0.9	0.8	5.1	5.4	6.4	6.4
Structural Adjustment Loan	2.2	6.9	7.7	1.7	1.8	1.5	4.0	8.7	9.2	9.2
Total adjustment	6.9	11.4	13.4	4.1	2.7	2.3	10.9	14.1	15.7	15.7
<i>Investment</i>										
Adaptable Program Loan		1.2	1.8		0.5	1.1		1.7	2.9	2.9
Emergency Recovery Loan	1.6	1.7	2.3	0.7	0.5	0.3	2.3	2.1	2.7	2.7
Financial Intermediary Loan	6.1	1.8	1.5	0.6	0.4	0.4	6.7	2.2	1.9	1.9
Learning & Innovation Loan		0.1	0.1		0.1	0.2		0.2	3.0	3.0
Specific Investment Loan	61.3	60.4	54.5	25.7	29.1	28.3	87.0	89.5	82.7	83.8
Sector Investment & Maintenance Loan	10.9	5.7	5.3	4.7	2.7	2.2	15.6	8.4	7.5	7.5
Technical Assistance Loan	1.2	1.5	1.4	1.2	1.4	1.4	2.4	2.8	2.8	2.8
Total investment	81.1	72.2	66.9	33.0	34.7	33.8	114.1	107.0	100.7	101.9
Overall result	87.9	83.6	80.3	37.1	37.5	36.1	125.1	121.1	116.4	117.5

a. Including GEF, Montreal Protocol, and Special Financing.

2.4.3 Regions and Countries

The relative stability in the portfolio's overall size masks significant shifts in its regional composition. Although AFR still has the largest number of projects among the six Regions, its portfolio shrunk from 462 to 363 projects over the past five years, a reduction of 21 percent. There was a similar decline in net commitments (see Figure 2.1). The relative decline of the SAR portfolio was even larger, at 25 percent, over the same period. The shrinkage in the AFR and SAR portfolios partly reflects the decline in new entries into the portfolio reductions for poorly performing countries (e.g., Pakistan, Nepal, Nigeria, Kenya, Burundi). Other factors include disruptions in Bank lending due to

Figure 2.1 Portfolio Distribution by Region, FY95–FY00



prolonged conflict in many parts of Africa, as well as sanctions on India and Pakistan following the 1998 nuclear tests. In the case of AFR, there has also been a conscious shift in business practices to concentrate on demand- rather than supply-driven projects and on non-lending services.

ECA experienced a rapid growth in its portfolio over the past five years (72 percent by number of projects and 18 percent by amount of commitments) as a result of the buildup in several new borrowers (Russia, Ukraine, Armenia, Georgia, Bosnia-Herzegovina). This more than offset declining portfolios for maturing borrowers such as Poland and Hungary. Most of the increase occurred between FY95 and FY99 and the ECA portfolio is now beginning to stabilize. The remaining Regions have experienced relatively modest shifts in their portfolio shares over the past five years, although there has been greater change at the level of individual countries (for example, increases in Argentina, China, and Vietnam, and decreases in Algeria, Brazil, Indonesia, Mexico, Morocco, and Venezuela).

Although the FY00 portfolio includes operations in 134 countries, there is heavy concentration, with the seven largest borrowers (Argentina, Brazil, China, India, Indonesia, Mexico, and Russia) accounting for over half the total portfolio in terms of net commitments (see Table 2.4).⁸ In contrast, 70 of the smallest borrowers account for only 5 percent of the commitments in the portfolio. Despite the large disparity in the share of net commitments, each of the two groups (the seven largest and the 70 smallest) account for about one-quarter of the portfolio in terms of number of projects—illustrating the adaptation of Bank lending programs to the diverse needs, interests, and capabilities of different borrowers.

2.4.4 Networks and Sectors

The Private Sector and Infrastructure Network continues to have the largest portfolio in absolute terms (548 projects, \$51 billion). However, commitments have shrunk by over 20 percent during the past five years, mostly due to reductions in electric power, oil and gas, and telecommunication sectors, where private capital flows are now playing a major role (see Figure 2.2). In line with the Bank's

Table 2.4 Portfolio Concentration by Country, FY00

Country	Countries with More than 20 Projects		Country	Largest Commitments Exceeding US\$1B	
	Projects	US\$M		Projects	US\$M
China	113	19,117	China	113	19,117
India	76	12,850	India	76	12,850
Indonesia	63	5,533	Mexico	27	6,334
Brazil	56	5,741	Argentina	39	6,425
Argentina	39	6,425	Russian Federation	33	6,225
Russian Federation	33	6,225	Brazil	56	5,741
Mexico	27	6,634	Indonesia	63	5,533
Colombia	26	2,053	Turkey	22	4,067
Bangladesh	25	2,504	Bangladesh	25	2,504
Ghana	24	954	Colombia	26	2,053
Philippines	24	1,843	Vietnam	21	1,954
Tunisia	24	1,558	Philippines	24	1,843
Uganda	24	1,111	Poland	16	1,631
Romania	22	1,488	Pakistan	16	1,569
Turkey	22	4,067	Thailand	13	1,560
Albania	21	310	Tunisia	24	1,558
Egypt, Arab Republic of	21	1,453	Romania	22	1,488
Tanzania	21	1,161	Egypt, Arab Republic of	21	1,453
Vietnam	21	1,954	Ukraine	11	1,388
Morocco	20	900	Ethiopia	11	1,226
Senegal	20	718	Tanzania	21	1,161
			Peru	12	1,139
			Uganda	24	1,111

enhanced focus on human development, this portfolio over the same period expanded significantly, especially for Health and Social Protection. The relatively stable ESSD Network portfolio share masks a significant growth of the environment portfolio since FY95 and a decline in the rural development portfolio. Also of note is stagnation in the education portfolio, a key element for delivering on the International Development Goals.

2.5 Projects by EA category

As discussed in chapter 1, the Bank uses its four-tier approach (A,B,C,FI) for environmental categorization of projects. Review of the five-year period 1996 through 2000 shows that there are approximately 600–770 active A and B projects—more or less half of all active projects—in the Bank port-

folio. Usually, there are 100–150 (roughly 10 percent) active A projects in the portfolio in each fiscal year. In the same fashion, there are about 500–600 B projects per fiscal year (see Figure 2.3). Review of the portfolio activity indicates that there are approximately 120 new A and B projects entering the active portfolio every FY, of which 10 percent are A projects.

The A projects, however, constitute a larger percentage of the total lending (slightly less than 20 percent) in comparison to the total number of projects. This reflects the nature of these operations—they are generally larger infrastructure projects costing more and requiring greater scrutiny in terms of potential environmental concerns. It is important to note that although A and B projects are slightly more than half of the portfolio, these projects account for more than 60 percent of the lending. This supports the fact that the

Figure 2.2 Portfolio Distribution by Network, FY95–FY00

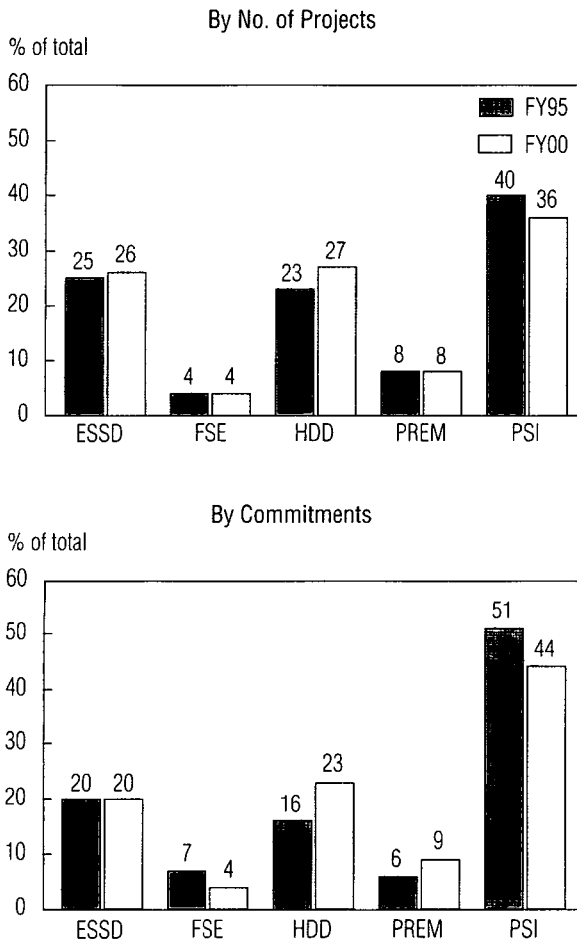
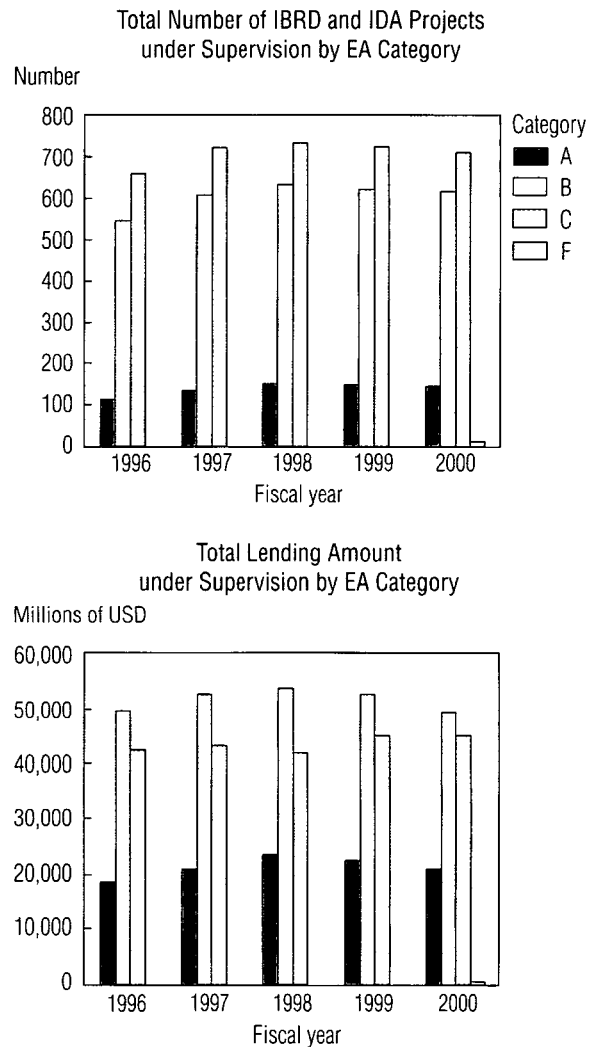


Figure 2.3 Portfolio Distribution by EA Category, FY95–FY00



C projects tend to account for a larger number of projects in most of the regions but are generally smaller loan amounts.

2.6 Conclusions

The Bank’s safeguard policies have evolved quickly over the past few years, and although steps are being taken to ensure compliance, there is clear evidence that the road ahead calls for stronger and more effective measures. Compliance failures may be attributable in part to genuine confusion over new policies and procedures.

The new QACU is making significant strides in improving clarity for safeguard policies, expanding guidance for operational staff, and providing expanded information for operations (these efforts

are detailed in chapter 8). Information sources pertaining to safeguard applications are located in a multitude of documents, reports, and project cycle documents. An overview is provided for each of these products with essential safeguard items highlighted. Much of the corresponding assessments discussed in subsequent chapters depend on these sources of information. Another challenge faced by those assimilating safeguard information in the bank is being able to navigate through the multitude of Bank databases and associated project-level storage bins. The important databases are described and weblinks provided to ease the way for interested users.

Annex 2.1

InfoShop <External>

The World Bank InfoShop (formerly the World Bank Bookstore and Public Information Center) is the main distributor of World Bank publications. It offers a large selection of publications of interest as well as providing public access to a range of operational documents previously restricted to official users. To keep everyone informed about the material currently available, the InfoShop homepages on the Internet are updated weekly. Operational documents are also available in Public Information Centers in Paris and Tokyo. Each of the offices has a reading room with a workstation to view the Internet and a full set of documents for reference.

The InfoShop is a comprehensive source for Bank project-related documents. Safeguard-related information submitted by operational staff to the InfoShop includes Environmental Assessments (EA), National Environment Action Plans, Project Information Documents (PIDs), Staff Appraisal Reports, Project Appraisal Documents (PADs), Resettlement Action Plans, Indigenous Peoples Development Plans, and others. The web page address of the InfoShop is: <http://www.worldbank.org/html/pic/PIC.html>. The web page can also be accessed through the Bank's main external web page: <http://www.worldbank.org>

ImageBank3 <Internal>

The ImageBank is a web-based text search and retrieval system containing a collection of Bank reports, most of which are scanned and available in imaged format, and can be accessed via a web browser and searched through a search engine. The ImageBank contains citations to over 34,000 final operational reports produced since 1946, and is growing at over 60,000 pages per year. These reports include SARs, President's Reports and Memoranda, Economic and Sector Works, Evaluation Reports and Studies, and Global Environment Facility and Montreal Protocol Project documents. The ImageBank also contains working papers and publications. Reports produced af-

ter 1985 are usually available in full; for older reports, only a citation is available. For a listing of the most current report types available, click on the "Type search" option on the ImageBank's "Detailed Search" screen. The ImageBank's web address is: <http://imagebank3.worldbank.org/>.

To search reports/documents in the ImageBank,
Click the Detailed Search on top of the screen
Fill in the search criteria
Click "Go"

World Development Sources <External>

The external version of the ImageBank (WDS Version 2) contains images and text of over 6,000 World Bank reports, the majority of which were produced during the last six years. There are over 500,000 pages on-line, and the collection is growing larger day by day. You can use this web database to help find Bank reports rapidly, review the content of the reports on-line, and then use the information electronically. This worldwide web application allows rapid access to reports on-line from any internet connection. Many documents are in PDF format for easy downloading.

The WDS can be accessed at: <http://www-wds.worldbank.org/> or by going to the Bank's main external web page: <http://www.worldbank.org>

Click Publications
Click World Development Resources

ESSD Core Database <Internal >

The ESSD Core Database was developed in response to a need to monitor the portfolio from sectoral, cross-sectoral, and thematic areas and perspectives. It provides local database managers with frequent extracts of institutional lending and portfolio data. The data are accessible by project name, project ID, region and country, fiscal year, sector, EA category, or type of lending instrument. Related web sites at each project level can be accessed via: PDS, Business Warehouse on the WEB, Projects at Risk, OED, ImageBank, Controllers, and Country Briefs. The URL for this site is: <http://esd.worldbank.org/coredb/> The ESSD Core data

base is also available from the external Bank web site at: <http://www.worldbank.org>

Click Projects

Click Advanced Search

IRIS (Integrated Records & Information Services) <Internal>

IRIS is an electronic imaging and filing service used to store, search, view, and print documents. It offers searches of electronic filerooms for correspondence and reports created or received by a work group. The Information Solution Group's imaging services (electronic scanning, indexing, storage and retrieval of files) enable staff to: access project/country documentation filed in a central data/image bank; identify specific subjects across a large set of data that are independent of a country or operations region; re-use information contained in retrieved documents; integrate the information with documents produced internally and externally, including mail messages; organize a unit's electronic files effectively, to avoid misfiling and loss of documents; and control unauthorized access to documents, with disaster-recovery protection.

Version 2 contains images and text of over 16,000 World Bank Reports and Regional Reports, the majority of which were produced during the last six years. This web application is used to help find bank reports rapidly, review the content of the reports online, and then use the information electronically. An image of each page can be read or printed, or you may request that a hard copy of the complete report be printed and sent to your location. Both the text of the report (formatted using Optical Character Recognition software) and image portions of a bank report can be "cut and pasted" into your own document, saving you time while documenting your own project.

The URL for this site is: <http://iris/>

Business Warehouse/ SAP <Internal>

The Institutional Business Warehouse (BW), the World Bank's data reporting system, contains Bank reports, including Lending, Portfolio, Loan, Operations Evaluation Department, Quality Assurance Group, Country Assistance Strategies, Resource

Management, and other data, which are updated from SAP and other institutional systems on a frequent schedule. Some examples of reports and data available in BW are:

- Historical data and FY00 of dropped projects
- Lending approvals and lending timetable snapshots, including FY00
- Data for Rapid Supervision Assessment III and ESW I
- Weekly snapshots of the portfolio indicators
- Service standards relating to lending and portfolio indicators

A number of BW reports are available on the BW site on the Bank's Intranet. The URL is <http://bankreports>. The site provides 'snapshots' of BW reports that can be used for monitoring the project portfolio including Stale PSRs Projects at Risk and Service Standards. Different views of detailed project data are available by Region and Network—updated weekly. The Board Schedule, updated weekly as well, is also available. The site is open to all staff, at Headquarters and in Country Offices, and does not require a BW user ID and password.

Project Search Database <External and Internal>

This online database provides data and information on the Bank's current portfolio of pipeline, active, dropped, and closed projects. As of October 27, 2000, the data date back to 1992. Pipeline projects contained here are only those that were already received by the InfoShop. The advanced search function allows you to narrow down your search by regions and countries, sectors, lending instrument, board approval year, EA category, and project status. You can sort the search result by country, project status, and so on. The database is linked to World Development Sources, through which you can access to all the relevant documents (PID, PAD, etc.) on the project you found through the search.

The web address of this site is: <http://www4.worldbank.org/sprojects/>

You can also access the web page by going to the main external web page of the World Bank at: <http://www.worldbank.org>

Click Projects

Click Advanced Search

Notes

1. See *Country Focus and Safeguard Policies: Institutional Issues*, paras. 29–33.

2. QAG, *Quality at Entry in CY 98: A QAG Assessment*, May 17, 1999; *Supervision Quality in FY99: A QAG Assessment* (Washington, D.C.: World Bank, October 14, 1999).

3. Nepal-Arun III, Brazil-Rondonia Natural Resources Management, Bangladesh-Jamuna Bridge, Argentina/Paraguay-Yacereta Hydroelectric, Brazil-Itaparica Resettlement and Irrigation, India-NTPC Power Generation.

4. Inspection Panel Investigation Report, The Qinghai Project, April 28, 2000.

5. The most established of the Trust Fund Programs is the Global Environment Facility, with 42 active projects and net commitments of \$419 million. The next in importance is the Montreal Protocol, which includes 19 umbrella projects with net commitments of \$458 million. The TF portfolio also includes 24 projects with net commitments of \$244 million in West

Bank and Gaza, East Timor, and Kosovo funded out of the Bank's net income. Since the TF programs—in all, 85 operations with a net commitment of \$1.1 billion—constitute only a small fraction of the total portfolio, they do not materially affect the overall performance of the portfolio. However, as it has not been possible to retrofit the historical data for this change, time-series analyses in this report are based on the traditional portfolio, excluding the TF programs.

6. The portfolio also includes 14 Guarantees provided under the Guarantee Program.

7. A total of eight adjustment operations with net commitments of \$1.5 billion entered and exited the portfolio during FY00 and are thus not reflected in the end-year portfolio. Over the past five years, adjustment lending has amounted to 36 percent of total Bank commitments—almost thrice the share in the FY00 portfolio.

8. It is worth noting that the seven largest borrowers include about 60 percent of the total population of the Bank's Part II member countries and a similar share of the world's absolute poor.

Chapter 3 Highlights

EA/SAFEGUARD ASSESSMENTS: ESSD AND REGIONS

- ESSD Report on EA Effectiveness
- Effectiveness Review in India
- Safeguard Assessment Study in Latin America/Caribbean
- East Asia/Pacific Regional Category B Portfolio Review
- Environmental Safeguard Risk Management in the Philippines
- Africa Region Review of Category A and B projects
- OED Desk Study of Bank Safeguard Performance in Selected Countries
- OED Study of EA and NEAPs for Bank and Borrower Operations

THEMATIC STUDIES

- ECA/MENA Review of Environmental Aspects of Water Supply and Sanitation projects
- Natural Resource Management Portfolio Review
- OED Study of Forestry Strategy Implementation
- Review of Selected Urban Environment Projects in China
- Review of Selected Urban Environment Projects in Indonesia
- Environmental Performance of Coal-Fired Power Plants in China
- Reservoir Resettlement in China
- OED Study of Safeguard Policies in China

Considerable progress has been made in EA for Category A projects, but some issues remain regarding categorization and quality of EA for Category Bs. The presence of environmental specialists improves project quality. Analysis of alternatives, environmental management and supervision, predicting and monitoring impacts, and evaluation are ongoing areas of weakness in some projects/sectors. Newer projects tend to be rated more highly than older ones.

QAG REVIEWS

- Second Quality-at-Entry Assessment
- Third Rapid Supervision Assessment
- Fourth Rapid Supervision Assessment
- Insights from QAG Assessments

QAG has improved its capacity to assess key aspects of EA since 1998. The FY00 review showed results mirroring the observations made in the reviews cited above and stressed the importance of factors such as field-based supervision using local staff and strong national institutions committed to EA.

INSPECTION PANEL

- Synopsis of activities and results
- Western China

The history of how the IP was established and its early findings are reviewed, providing assimilation of key conclusions in the Kenya Lake Victoria, Ecuador Mining reviews. The unraveling of the Western China/Qinghai situation illustrates many of the challenges facing Bank management and staff in a complex political and technical environment. Misclassification is representative of ambiguous policies and professional attempts to interpret and apply policies. Past history in a country and Bank staff knowledge always come into play.

Effectiveness and Implementation: Studies of Bank Safeguard Performance

Since the preparation of the Second Environmental Assessment (EA) Review, Bank policy has evolved from a singular focus on environmental assessment to the broader concept of safeguards; new units, such as the Quality Assurance and Compliance Unit, have been created to monitor Bank compliance; and numerous training sessions and written guidance material has been prepared to assist staff in efforts to improve the performance of Bank projects with regard to safeguard policy. This chapter examines the effectiveness and implementation of EA/safeguards through a review of more than 20 studies assessing and evaluating projects with environmental impact that have been prepared during the past four years. It should be borne in mind, however, that a persistent time-lag dogs efforts to assess progress. Many of the reviews discussed below were prepared during 1998 or 1999, at the same time that new handbooks and guidance (see chapter 6) and other EA-support work—including training (chapter 5)—was under preparation or taking place. Obviously the impact of this work is not reflected in project reviews covering previous years.

The reviews presented in this chapter include work on individual country portfolios, on safeguard work in general, and on specific sectors, as well as assessments by the Bank's Quality Assurance Group (QAG) of quality at entry and supervision of EA work carried out over the past three years. The last section reviews the role of the Inspection Panel and focuses on the Western China/Qinghai review as an example of several challenges confronting safeguard decisions and planning in the institution. Annex 3.1 provides an overall view of the reports reviewed in this chapter.

3.1 EA/Safeguard Assessments: Environmentally and Socially Sustainable Development (ESSD) Network and Regions

Day-to-day implementation of safeguard policies takes place in countries. Safeguards specialists work with Bank task teams and country counterparts to identify

required safeguard practices and practical approaches for project implementation. Consequently, the Regions have generated a diverse set of safeguard information, including: regional safeguard assessment reports, country portfolios, and thematic studies. Several representative safeguard assessment studies and related activities pertaining to the effectiveness and implementation performance of EA in the Bank's Regions are highlighted below. Some of the more recent Bank studies used innovative methodologies, based on safeguard criteria, to evaluate and provide insight into operational safeguard performance. These reviews focused on the effectiveness of EA in Bank projects, compliance of EA with Bank safeguard policies, and assessments of environmental management plans (EMPs).

3.1.1 ESSD Report on EA Effectiveness

This report evaluated the suitability of the EA screening and classification process in the Bank.¹ The report notes that EA classification still represents an occasional source of problems for both operations and environmental staff, due in part to a need for further clarity for all safeguards. Several sectors, such as roads, energy, water and sanitation, health (medical wastes), and rural development (numerous small infrastructure subprojects), as well as programmatic lending form the core of safeguard challenges.

While the Environmental Data Sheet is still considered to be a valuable safeguard screening tool, the report said that the Bank needs to improve its usage through more task team training, making it available via the Infoshop, and to clarify disclosure policy. Incorrect classification occurs in about 10–20 percent of projects, and the report suggests further guidance to clarify EA classification, as well as periodic monitoring by the EA Anchor.

A key conclusion of the report is that operational staff are looking to the EA Anchor for more guidance and support. As noted in other sections of this review, task team leaders have strong incentives to avoid having a project classified A, including added time and resource requirements, the disclosure process, and associated administrative chores. Although the study concluded that there was some misclassification of B projects that

should have been As, the safeguard provisions in these projects appeared adequate. The study reiterates a recurrent sentiment in the Bank, that the EA process transcends environmental issues and embraces a wide array of other safeguard issues, which contributes to staff confusion regarding classification. Review of Bank information-management processes revealed numerous shortcomings in relation to exchange of information between the regional and central Bank databases and the Infoshop.

3.1.2 Effectiveness Review in India

A review of the effectiveness of EA in World Bank projects in India looked in depth at 14 projects covering fiscal years 1990 through 1997.² This study is a milestone because the methodology was based on a set of rules and attributes derived from OD 4.01. These criteria were used to evaluate Category A and B projects and assign appropriate ratings—inadequate, satisfactory, excellent—to each attribute. The seven key attributes evaluated were:

- Identification of issues and scoping
- Baseline conditions
- Analysis of alternatives
- Prediction and assessment of impacts
- Mitigation measures
- Public involvement and consultation
- Monitoring plans and supervision.

These attributes are comparable to those utilized to judge quality in EA-2: impact assessment, analysis of alternatives, public consultation, and mitigation, monitoring, and management plans. Environmental covenants and supervision efforts were also evaluated.

The study concluded that the quality of EA reports was satisfactory, and that overall EA quality has been improving steadily. Both category A and category B projects, however, displayed some weaknesses associated with EA project preparation—scoping, analysis of alternatives, and prediction and assessment of impacts. The effectiveness of EA in project implementation was found to be weak in terms of having clearly defined requirements for environmental covenants and conducting supervision.

3.1.3 Safeguard Assessment Study in Latin America and the Caribbean

A Latin American and Caribbean Region safeguard assessment study of 55 Category B projects was carried out through a combination of desk review and field visits.³ The report concluded that half of the projects had good or satisfactory safeguard provisions, based on an established set of safeguard benchmarks. Although all of the projects may have had positive overall environmental impacts, the ratings for this study were based on the extent to which projects put in place provisions to offset adverse impacts from *subproject* works (such as feeder roads or irrigation schemes).

The study also identified projects with better design practices and practical and useful safeguard implementation procedures. Based on the overall results, the study identified 10 characteristics of good safeguards practice (Box 3.1). The inclusion of an environmental specialist at early stages of project preparation and in subsequent supervision missions agrees with one of the EA-2 recommendations. This appears to be an important factor contributing to project success; the Bank should make the commitment needed to ensure that such action is taken as an integral part of the EA process.

The study noted that a learning curve is usually at play: in the beginning, projects tend to struggle with the EA process, but over time they

gain a better ability to implement provisions, as staff become more experienced and receive training. Box 3.2 describes a project in the state of Paraná, Brazil, in which environmental safeguard practices were defined as “good.” Nonetheless, the review found that the project had failed to develop guidance related to potential sources of water contamination or minimal drinking-water quality. Agricultural activity was taking place adjacent to the digging of wells, and no mechanism had been defined to determine whether agrochemicals were leaching into the water supply. Given these potentially serious problems, and the fact that only half of the projects reviewed were considered “satisfactory” or better, it is evident that safeguard practices among Category B projects in the region could benefit from improved safeguard applications.

3.1.4 East Asia Pacific Regional B Category Portfolio Review

A total of 35 Category B projects were selected for safeguards review, representing about 40 percent of this type of project in the active East Asia and Pacific (EAP) Regional portfolio.⁴ The objective of the study was to identify projects with better practices—in terms of design and provisions for applying environmental safeguard procedures—and to develop guidelines that could

Box 3.1 Ten Characteristics of Good Safeguards Practice

1. Include an environmental specialist familiar with the type of project in question as early as possible in project preparation.
2. Make sure appropriate guidance and technical information is used
3. Make sure that environmental safeguard provisions are clearly identified/described in the Project Appraisal Document (PAD)
4. Transform environmental safeguard provisions into main credit conditions/environmental covenants
5. Develop indicators for tracking environmental impacts and risks as part of the monitoring and evaluation process
6. Use environmental specialists with good leadership skills
7. Develop guidance and test it in the field
8. Undertake a training and capacity building program
9. Incorporate environmental safeguards into project performance
10. Include environmental specialists in supervision missions for projects with environmental impacts

Box 3.2 Good Safeguard Practice: Paraná Rural Poverty and Natural Resources Management

EA Guidance and Assessment: The PAD contained an excellent description of environmental screening. The Operational Manual contained general requirements for environmental safeguards, including procedures and checklists. Screening is related to the size and type of the subproject, which dictates the type of EA to be undertaken. All projects refer and defer to the state environmental regulatory agency for reviewing applications and conducting the environmental permitting process. All requirements seem to be well-defined for medium- to larger-scale infrastructure projects.

Environmental Specialist Support: The project had one consultant devoted entirely to managing environmental issues. This environmental specialist was a practitioner with many years of experience in environmental impact assessment, which greatly benefitted the project. Technicians from the state environmental regulatory agency were assigned to the project, working in regional offices.

transform these practices into practical operational tools. A rating framework was designed to summarize descriptive information about each project and the processes and provisions for appraising and approving subprojects, as well as monitoring projects following approval.

Slightly less than half the projects reviewed were rated good or satisfactory. It was noted, however, that one-third of the projects examined were taking place in China, and most of those projects met the criteria established. The weakness of projects rated as marginal or unsatisfactory was most often related to monitoring and evaluation, which may be due to the large size and loan amounts involved in the China loans (demanding extensive technical consultations prior to implementation). The report found that Social Funds in the region generally lacked sufficient provisions for screening sub-projects with potentially adverse environmental impact. Two projects were singled out as exemplifying good practices: the *Vietnam Mekong Delta Water Resource Project* showed evidence of overall good safeguard practices, and the first *China Xinjiang Highway Project* was cited for its exemplary supervision activity. Overall, the review highlighted two key areas that need further attention: *improving information about environmental issues during project preparation*, and *improving environmental safeguard performance during project implementation and supervision*.

3.1.5 Environmental Safeguard Risk Management in the Philippines

The East Asia Environment and Social Development Group (EASES) embarked on an innovative approach to improve environmental safeguard performance, focusing on the entire active country portfolio of Category A and B projects (2 As and 10 Bs) in the Philippines.⁵ The study, while assessing environmental compliance, also developed actions to assist in enhancing project environmental quality and reducing environmental risks in the country portfolio.

The study methodology consisted of the following eight steps:

- Review previous studies on environmental safeguard effectiveness in Bank projects
- Create a conceptual risk ranking framework to evaluate projects
- Review project documents
- Assimilate project summary information
- Evaluate project performance
- Incorporate comments from task teams and others into ratings
- Develop project specific recommendations in the form of Risk Reduction and Quality Enhancement Plans
- Establish mechanisms to incorporate quality enhancement and environmental risk assessment into project supervision

A ranking framework was created to evaluate provisions made in the project for executing safeguard measures at both project design and implementation stages. These provisions were also considered in terms of implementation responsibilities: the Bank or the borrower? Each category consisted of a series of aggregated themes or benchmarks with associated criteria that determined to what degree performance was accomplished. Results were aggregated to determine overall ratings for both Bank and borrower performance and categorize projects as “highly satisfactory,” “satisfactory,” “marginal,” or “risky.”

An Environmental Risk Reduction Plan was provided for each project to identify environmental concerns and suggest actions to mitigate project environmental risk. Risk was based on a threshold of acceptable performance. The concept of Quality Enhancement Plans was developed for projects rated as “not risky” (those achieving an overall score of satisfactory or highly satisfactory for both Bank and borrower performance). For these projects specific plans were targeted to overcome minor weaknesses. The overall findings were:

- Safeguard measures were adequately designed at entry.
- Implementation was considered satisfactory in only four projects.
- Several projects did not implement safeguard provisions adequately; these were considered “*risky*.”
- Overall, one-half of the projects were considered to be adequate in terms of safeguard design and implementation.

Screening procedures, environmental impact assessment, and incorporation of mitigation measures were in all cases considered adequate for the project design component. However, the performance of these same projects in regard to implementation benchmarks by the borrower was slightly less adequate. Several other thematic component attributes were also not well implemented, including borrower monitoring of environmental impacts and the Bank’s ability to undertake sufficient environmental supervision.

Several common challenges were identified from the perspective of borrower performance and Bank supervision:

- Overall borrower performance was marginal.
- It was unclear how projects manage and administer safeguards at the project level during implementation.
- The status of mitigation measures was frequently not documented (unreported in seven projects).
- In general, no indicators were available to measure safeguard performance.
- Monitoring plans and collection of monitoring data were significantly lacking (67 percent of projects)

In terms of Bank supervision it was found that:

- Many projects with environmental issues of concern had no regular supervision by environmental specialists.
- It was difficult to determine the status of environmental issues, even when reviewing supervision reports.
- Documentation provided in the PSRs did not reflect environmental concerns and risks in eight projects.
- Several projects were adequately supervised by environmental specialists, and sufficiently documented safeguard provisions

Based on this review, a set of actions revolving around three general themes was suggested to improve safeguard performance for the country portfolio (see box 3.3).

Finally, The Philippines Country Management Unit has recently incorporated the Environmental Safeguards Risk Indicators into its Monthly Management Report. Starting in mid CY00, the Country Environmental Specialist generated monthly “risk ratings” for all active and in-the-pipeline projects. This information feeds into 18 focus areas used by the Country Director and Country Management Team. In several cases, task team leaders were contacted directly by the environmental specialist to discuss safeguard issues and the progress and status of areas of concern.

3.1.6 Africa Region Review of Category A and B Projects

The Africa Region’s Environmental Assessment and Review team carried out a review of six

Box 3.3 Improvements to Safeguard Performance in the Philippines Portfolio

Improve monitoring

Project implementation is often slow to incorporate design safeguard provisions, or such measures are not even defined. The borrower, with assistance from the Bank, can take steps to improve safeguard implementation and tracking of progress.

- ***Provide detailed explanations on how safeguards will be implemented with a complete monitoring plan.*** This requires clear definition of what will be measured, who will measure it, how often this will occur, what format will be used to report results, and how much will it cost. Practical guidance for these actions can be found in several sources (such as OP 4.01 Annex C and Environmental Assessment Sourcebook Update 25 “Environmental Action Plans”). When projects lack such a plan, the Bank can work in partnership with the borrower to create a workable approach.
- ***Develop/enhance practical environmental safeguard indicators.*** It is important to develop environmental indicators to measure safeguard performance in projects; these should be identified from the onset of the project. They can be simple and practical measures of how well mitigation is occurring or the status of environmental conditions related to project activities. Indicators need to be linked to the predicted severity of impacts; the greater the predicted impact, the more detailed the indicators.

Improve evaluation and project quality enhancement/risk reduction

The main objective of monitoring is to use its results to confirm that impacts have been minimized. If environmental safeguard performance is not satisfactory, a course of action must be taken by management to correct such problems. For adequate evaluation to occur, monitoring results of environmental performance and risks must be regularly reported, and appraisals of these results should be carried out by environmental staff.

- ***Include environmental specialist in supervision.*** Many projects that have environmental issues of concern have no regular supervision by environmental specialists. Projects with environmental safeguard issues require the participation of environmental specialists during supervision. The task team leader needs to better identify this need in appraisal to acquire appropriate resources, or work with EASES to include this element both in supervision and preparation of projects.
- ***Improve PSR processing.*** The difficulty in gaining a sense of how safeguard implementation is proceeding in a project goes beyond the traditional Back to Office (BTO) reports and Aide Memoires. A series of improvements are needed to track safeguard implementation progress with projects over time. The PSR format can effectively keep track of key issues. However, improvement is needed to meet this goal. Guidelines for improving the consistency and quality of safeguard supervision reporting in the PSR are needed. Safeguard requirements as defined in the PAD and Loan Agreement must be transformed into the appropriate PSR sections. Progress on these critical safeguard issues must be included in every mission and corresponding PSR. One improvement might be for environmental specialists to actually distill their supervision BTO reports into appropriate PSR sections. At a minimum, the Task Manager should provide participating specialists with the completed PSR for review.

- **Expand use of risk ranking and assessment worksheets.** A major contribution of the study is the development and application of the Environmental Risk Ranking and Assessment Worksheet. This tool is a useful and practical way for both Bank and counterpart executing agency staff to keep track of safeguard provisions. Once set up for a project, it becomes a valuable source of information. It can serve both technical and management needs, and should be organized by the project Country Team.
- **Further explore utility of Lotus Notes-based safeguard information tracking.** The EASES team has been evaluating several approaches to improving both the type and consistency of safeguard information throughout the life of each project in its regional portfolio. To this end, a Lotus Notes-based Environmental Assessment Report—Quality Assessment Worksheet is being tested. This incorporates many of the safeguard benchmark attributes used in this study, which can be filled in and modified at any time. The utility of this tool is that it can be maintained as an active, iterative product at both the country and headquarters levels. It is considered a self-assessment tool because the intention is that the task team would maintain its information content. EASES staff would initially input the information, and on a regular, biannual basis request updates from a project environmental contact and/or the task team leader. The information gathered from the 12 study projects is being used to pilot this application.

Sponsor knowledge and information sharing

Improved environmental management and mitigation of impacts are key themes for any future scenario of sustainable development of the East Asia region. There is growing recognition of the need for better coordination and sharing of information across all sectoral units and some country teams across the Bank's East Asia Region to develop a more comprehensive view of environmental performance. Knowledge and information sharing has become recognized as being a crucial element in efforts to alleviate poverty, both within the Bank and in the countries of the region. Knowledge sharing is not merely about information collection, but a way to bring together underlying lessons, experiences, and knowledge to enhance the quality of our work.

- **Develop good practice overviews.** The factors that lead to good safeguard ratings need to be defined for the three projects that stand out as having good safeguard provisions. A case study approach that identifies key success factors is recommended to demonstrate how things can be done right. This will require understanding the history of project preparation, the attitude of the task team leader in including environmental specialists, the capability of the executing agency in terms of staffing and technical expertise, the effectiveness of consulting input when appropriate, and the description of how impact mitigation works.
- **Share knowledge and information.** The EASES unit has spent considerable time and resources over the last several years developing various knowledge-management and information products to improve safeguard performance. The products from this study, including the Environmental Risk Ranking and Assessment Worksheet, Risk Reduction and Quality Enhancement Plan, and Environmental Assessment Report/Quality Assessment Worksheet are available on the Bank Environmental Assessment Node (website). This material will also be added to the Region's Environmental and Social Safeguards Briefing Book, which is used for training and various workshops at headquarters and in the field. In addition, several technical notes and reports covering this initiative will be developed over the next year.

Category A and four Category B projects considered to be representative of the portfolio during FY98⁶. An EA reviewer looked at each project to determine strengths and weaknesses and make recommendations for action. Most of the corrective actions recommended for the Category A projects focused on improving capacity in responsible institutions and for country-level EA in general; two of the projects were deemed not to require further capacity building. For the sectoral EAs (three in transport and one in power), two were found to be functioning satisfactorily. In one of the other two cases the review noted a need for better linkages with the central environment ministry, but noted that the ministry was in need of consolidation. In the other, the only action required was monitoring of the environmental management plan and resettlement activities. The report also called for improved communication activities in almost all projects—with government authorities and civil society.

3.1.7 OED Desk Study of Bank Performance with the Environmental Assessment Safeguard in Selected Countries

A sampling strategy was undertaken in this study on the Bank's EA safeguards performance for 19 completed and under-supervision projects.⁷ A detailed review and analysis of OP 4.01 and other safeguards resulted in an approach that aggregates key environmental and social performance requirements into two generic categories of benchmark criteria: (1) borrower safeguard outcomes and processes to achieve outcomes and (2) Bank outcomes, both of which are summarized below. A semi-structured interview process was conducted with task managers and other Bank staff involved in the study projects. A rating worksheet with standard evaluation rules was developed to capture the universe of provisions as defined in benchmark attributes and criteria. Among the completed projects, screening procedures, environmental impact assessment, incorporation of mitigation measures, and examination of project alternatives were found in all cases to be adequate for the Environmental Assessment component.

However, performance in monitoring of environmental and social impacts by borrowers, and the Bank's ability to undertake sufficient environ-

mental and social supervision for most of these projects, was inadequate. Other key findings included inconsistency between Bank appraisal, loan agreements, and environmental covenants; variable supervision and completion quality; and inadequate resources for supervising Category B projects. The study confirmed that increased effectiveness and promoting safeguards is associated with consistent, long-term involvement by task team leaders and that project quality is improved when participation and disclosure have been carried out.

3.1.8 OED Study of the Effectiveness of EAs and NEAPs on Bank and Borrower Operations

An Operations Evaluation Department (OED) review in 1996 evaluated the effectiveness of environmental assessments on the operations of the World Bank and its borrowers.⁸ The study did not assess compliance with Bank operational directives (ODs), but rather the extent to which the main objectives of the ODs were being met for 53 projects. This review determined whether the required project or sector analysis was taking place prior to project design; reviewed project implementation procedures, including performance of borrower environmental institutions; determined the adequacy of Bank funding for environmental monitoring; and identified the type of environmental problems projects are experiencing. Key questions addressed by the study were:

- How timely was the EA in terms of project identification and design and to what extent were the EAs integrated into the project cycle?
- To what extent were environmental alternatives analyzed and to what degree were they integrated into feasibility studies?
- What has been the impact of EA environmental management plans on the ground, were monitoring plans used in project implementation, and have mitigation measures reduced environmental impacts?

The use of evaluation benchmarks was based on a set of questions addressing three types of projects: projects in preparation or implementation without actual field activities, projects initiating activities in the field, and projects completed or nearing completion.

A key conclusion was that while significant progress has been made on improving environmental mitigation procedures, some problems remain—mainly stemming from the nature of the EA system. Specific impediments included:

- EA input is often absent from project identification.
- EAs are often incorporated too late into the project cycle.
- EA schedules are sometimes too rushed to allow for relevant data collection and preparation of conclusions on expected impacts.
- Analysis of alternatives in many cases is weak.
- Supervision during project implementation is weak.
- EA-related consultations with the public and NGOs are often limited and ineffectual.
- In some cases in-county technical resources are diverted to Bank EAs, which hinders domestic EA initiatives.
- The practice of screening by categories has some adverse consequences.
- Environmental Management Plan requirements and EA-specified monitoring schemes are often not reflected in Legal Agreements.

3.2 Thematic Studies

The Bank has gained considerable experience in applying safeguard policies in particular sectors in several regions. The successes and difficulties associated with project design, implementation, and supervision are discussed below for several such studies.

3.2.1 Review of Environmental Aspects of Water Supply and Sanitation Projects: ECA & MNA

This review evaluated 17 projects (3 Category A and 14 Category B) from 1992 to 1998.⁹ Overall, the quality of environmental assessment work was found to be good for the A projects, but for the B projects, quality varied from good to poor. It appears that the trend over time for B projects has been toward improved environmental safeguard applications. In four of the cases, the reviewer believed that the B projects should have been assigned

Category A. In one project the quality of environmental assessment was considered excellent, while in the other three it was lower than desirable.

Poor quality environmental assessment was attributed to several causes. Bank EA policy for B projects is less explicit than is the case for A projects; B projects do not receive as thorough Board and external scrutiny; and there are competing demands for task team leader time and resources in B projects that tend to overshadow environmental considerations. Specific shortcomings with the B projects reviewed included: inadequate discussion in the PAD/Staff Appraisal Report on potential environmental problems, the lack of a definitive Environmental Management Plan with time-bound actions and responsibilities, the absence of environmental monitoring indicators, a lack of reporting requirements for project performance indicators—including environmental indicators—and the absence of legal commitments by borrowers to undertake environmental actions.

3.2.2 Natural Resource Management Portfolio Review

This January 1998 study examined the implementation performance and future prospects of a subset of natural resource management (NRM) projects under implementation in FY96—specifically, projects identified by the Quality Assurance Group as being “at risk” of not achieving their development objectives.¹⁰ These projects represented about 28 percent of the 65 projects making up the NRM portfolio at the time. One of the eight characteristics defined as putting a project “at risk” was being “problematic in relation to environmental and/or resettlement aspects”; that is, lack of adequate safeguard implementation.

Overall, the findings in regard to what makes a successful project were very similar to the observations made in the second EA review. Among the main factors cited were: keeping design simple and within local capacity to execute, high levels of beneficiary participation in planning and implementation, and strong borrower and beneficiary ownership of the interventions. Lack of project success was attributed to three main factors: poor quality-entry, especially in terms of borrower “ownership”; inadequate performance of borrower institutions; and country economic and political factors.

Although the NRM review did not focus specifically on EA/safeguards issues and was limited to projects already identified as problematic, some of its observations are pertinent to the present study. In particular, the review found that “most of the projects examined do not include specific provisions for monitoring and evaluating their environmental and social impacts.” This was especially true of the earliest projects, and was being rectified in more recent efforts, such as the India project described in Box 3.4. Similarly, the review found that “most of the projects reviewed did not take underlying ecosystem services and constraints sufficiently into account during preparation,” although some benefited from a full environmental assessment. Among the recommendations for improving NRM project performance were that social and environmental assessments be undertaken, and that a rigorous analysis of alternatives approaches be carried out.

3.2.3 OED Study of Forestry Strategy Implementation

As part of a broad study of the Bank’s 1991 Forestry Policy, OED reviewed the forestry portfolio

through 1999, including a section on safeguards.¹¹ Since the policy was an effort to reduce the negative impact of Bank activities on forests and their inhabitants, careful attention to potential social and environmental impacts during project preparation was called for. The report found that safeguard “policies are now better incorporated in project design, but systematic monitoring of quality at entry and supervision is lacking.” Among the specific problems cited was the fact that existing data systems do not help staff to identify and anticipate potential indirect and long-term forest problems arising from projects in sectors, such as transportation and infrastructure. But, the report, noted, considerable progress took place during the 1990s. “Bank projects have directly responded to the interests of stakeholders by incorporating planning and implementation tools, including participatory planning, village plans, ecological zoning, demarcation and land titling, and indigenous reserves in project design.” Although Bank projects now include participation by vulnerable stakeholders, they do not always consult with other, more powerful, stakeholders, who may be those most likely to cause harm to forests. The report

Box 3.4 Social Assessment in a Recent NRM Project in India

Designers of the Ecodevelopment Project in India found social assessment (SA) to be a good starting point for stakeholder and NGO participation in project preparation. The project is designed to strengthen the conservation and management of protected areas by increasing local community benefits and local involvement, reducing conflict, and engaging local support. The project focuses mainly on village ecodevelopment activities that seek to reduce negative impacts on biodiversity in and around protected areas by providing alternative livelihood and development opportunities linked to conservation agreements between the communities and park authorities.

In addition to identifying key stakeholders, the SA supported the collection of socioeconomic and biophysical information to feed into project implementation and monitoring, and enabled those responsible for project preparation to build on the experience of people’s involvement in forestry, conservation, and rural development projects in India. The SA permitted stakeholders to identify interactions between parks and people, map out potential and actual conflicts, and agree on a framework for ongoing participation during project implementation through which communities and park officials will choose ecologically appropriate development activities and livelihoods.

Source: “India: Using Social Assessment to Foster Participation in Protected Areas,” Environment Department, *Dissemination Note 42*, May 1996.

stresses that “upstream attention to safeguard policies” is critical to success.

The number of environmental impact assessments undertaken in the forestry sector rose sharply in the years following 1991, indicating a greater understanding by Bank staff of the potential indirect impacts of projects. “However,” the OED report concludes:

. . . With some notable exceptions, these assessments have generally lacked focus on issues critical to a particular project, and typically have come too late in the project design process. They have also tended to be superficial regarding forest-related biodiversity issues, often lacking analysis of indirect and regional impacts. Even where assessments have been satisfactory, recommendations have often not been carried forward into project design and implementation.

The overview cited above was based on a series of evaluation country case studies also prepared by OED. These studies outline the legislative and other changes that took place in the countries studied, which often improved the context in which EA took place. The titles in this series include:

- *Brazil: Forests in the Balance: Challenges of Conservation in Development*
- *Cameroon: Forest Sector Development in a Difficult Political Economy*
- *China: From Afforestation to Poverty Alleviation and National Forest Management*
- *Costa Rica: Forestry Strategy and the Evolution of Land Use*
- *India: Alleviating Poverty through Forest Development*
- *Indonesia: The Challenges of World Bank Involvement in Forests*

3.2.4 Review of Selected Urban Environment Projects in China

Four projects in five urban areas (Beijing, Shanghai, Hangzhou, Shaoxing, Ningbo) representative of the Bank’s 11 urban environment/development projects were reviewed in late 1999.¹² The projects focus on delivery of water supply, sewerage, and sanitation. Local agencies have incorporated many

EMP recommendations into their standard operating procedures and incorporated several key mitigation measures into contract documents.

The Shanghai Environment Project, viewed as a best practice, devoted about one-quarter of staff time to monitoring EMP implementation. The review reported that this was seen as “time well-spent” by the project office. In this project and the Hangzhou Multicities Project:

Local authorities planned carefully to prevent loss of income or land during project implementation. Pipelines were laid in the agricultural off-season and diverted to prevent encroachment on private land. This not only ensured that there were no crop losses but also minimized the need for compensatory actions. Topsoil cover was returned to the fields as planned.

Box 3.5 provides an overview of the steps taken in the Zhejiang Multicities Project to ensure that project activities aimed at urban infrastructure upgrading would have the fewest possible impacts on citizen safety, traffic flow, and the environment.

Despite these successes, the review noted that several items require ongoing work in the area of environmental management plans. First and foremost is the need to build capacity for implementing projects and conducting environmental supervision. Additionally, the review recommends that, given the unlikelihood that increased resources will be available for EMP supervision at the Bank, project reporting should at least include a requirement to comment on EMP implementation, and objective criteria should be suggested to rate performance and to flag and remedy problems.

3.2.5 Review of Selected Urban Environment Projects in Indonesia

Four projects with investments in 10 urban centers were examined in early 2000.¹³ These projects concentrated on improving services through infrastructure investments and strengthening responsible agencies. Investments include urban roads, water supply and distribution systems, storm drainage and flood control, solid waste collection and disposal, human waste disposal,

Box 3.5 Ten Key Steps Taken in Zhejiang Multicities Project: Best Practice in Ningbo City

1. Joint option study with the police on how to manage traffic flows
2. Phased construction of main roads, to prevent major rerouting
3. Formation of a construction-coordinating group with representatives from the police department and electricity and water supply companies
4. Staggered work schedule implemented to avoid delays in community
5. Completion of construction put on fast-track; work done in three shifts
6. Special care taken to make commercial enterprises accessible
7. Construction sites kept clean, spoil disposal made a priority, and working areas enclosed
8. Sections of roads near the construction site cleaned daily
9. Worker safety made a priority
10. Weekly assessment of the contractor's work; warnings and penalties assessed when necessary.

sewerage and on-site sanitation facilities, and market improvements.

The review found that EMPs are generally followed during construction, but require Bank supervision even when local authorities were required to undertake such actions. Monitoring was found to be sporadic and records hard to find, with local government agencies lacking resources and clear lines of authority. EMP mitigation and monitoring measures are often not implemented, including noncompliance with basic operations and maintenance activities, due to lack of funding, supervision, and staff incentives. This was found to be especially applicable to the solid waste component of the projects visited by the review team. Often existing landfills (even those that are environmentally unsound and poorly managed) continue to be used because the implementation of new projects is delayed. The two macro trends in Indonesia, decentralization and privatization, present challenges in financing, managing, and monitoring contract and associated environmental management requirements.

3.2.6 Environmental Performance of Bank-Financed Coal-Fired Power Plants in China

The purpose here was to assess the environmental compliance of six power plants in light of agreed Chinese and Bank environmental processes and

standards based on EMPs that were part of the project EAs.¹⁴ Most plants visited were found to be in compliance with Bank environmental standards as applied at the time of construction and initial operation, and with newer Bank guidelines. Bank involvement was seen to have served as a catalyst for encouraging improved environmental management of plant operations, including those not financed by the Bank. However, the review also found that public consultation had not taken place and “the notion of making the EA available locally is still not widely accepted.” Bank supervision was found to have been “minimal,” but the review concluded that Chinese power authorities were overseeing the projects carefully. Among the recommendations were increased technical assistance and supervision of the plants and more effective efforts to ensure that public consultations and disclosure take place. Finally, the report urged that the Bank develop a quicker, cheaper methodology for comparing air quality to the predictions and baseline data from the EA.

3.2.7 Reservoir Resettlement in China

The involuntary resettlement process at Shuikou Dam and Reservoir Project in Fujian Province was reviewed through its planning, design, implementation, and post-construction phases.¹⁵ Two Bank loans were involved; the first for US\$140 million

was approved in 1987, and the second for US\$100 million in 1992. The reservoir created by the project caused the relocation of 67,239 people in rural areas and 17,215 people in Nanping City. Relocation was carried out between 1988 and 1993, and economic rehabilitation of affected households took another five years. Resettlement expenditures of US\$14,000 per household were among the highest recorded in China for a project of this type. A key feature of the project was the Bank-initiated “Independent Evaluation of Resettlement,” which took place annually over a five-year period. These reports became a useful monitoring tool for identifying achievements and outstanding problems, and were the first of their kind in China. OED concluded in 1998 that the resettlement was generally successful in generating sufficient employment and restoring the incomes and livelihoods of those resettled. The Bank also used this study to identify how resettlement could have been better planned and implemented.

3.2.8 OED World Bank Safeguard Policies in China

A Quality Assurance Panel was established to examine the quality of supervision and oversight of safeguard policies for six diverse projects in China. The Category A projects (environment, hydroelectric power, highway, immigration and resettlement, water transfer) and the single Category B project (railway) were rated from highly satisfactory to marginally satisfactory for supervision quality. The projects had good staff continuity, appropriate skills mix, adequate budgets, and realistic reporting, but in general involved insufficient consultation and disclosure of pertinent information with affected peoples.

In regard to project design, the Panel felt that the Bank had fulfilled safeguard policies. Summary EAs and resettlement action plans were generally well handled, with good analysis and reasonable mitigation plans. Overall, it was observed that the Bank’s presence strengthened safeguard performance. One criticism was that the EAs tended to focus on direct project impacts, and may have missed significant *indirect* effects. There was also a lack of attention to social safeguard issues during project design.

Most important, the borrower’s effort to comply with safeguard policies was generally consis-

tent with the Loan Agreements for the three projects visited in the field. Although the quality of implementation varied, there were no instances of substantial noncompliance.

3.3 QAG Safeguard Reviews

The Quality Assurance Group undertakes several regular assessments, including annual quality-at-entry and supervision performance assessments. Recent QAG initiatives explicitly address safeguard compliance, as recommended by EA-II.¹⁶ This section describes the results of three assessment reviews undertaken between FY98 and FY00. Details concerning the differences in QAG yearly assessment protocol are provided in Annex 3.2.

3.3.1 Second Quality-at-Entry Assessment

In the second Quality-at-Entry Assessment, QAG reviewed a random sample of 100 operations approved by the Board in CY98. This review was based on a lengthy, 40-question questionnaire that assessed eight categories. The environmental analysis category consisted of two questions:

- Was the environmental analysis adequate?
- Were environmental aspects reflected in the analysis of alternatives and economic evaluation?

Three other questions were raised under the category of “Social and Stakeholder Analysis.” The QAG report reviewed compliance with safeguard policies based on these five questions. However, the two environmental questions used in the review have little relevance to how well environmental safeguard provisions were designed as part of project preparation and appraisal. These questions are not based on any benchmark criteria, and there was no development of environmental provision standards. In addition, it is important to emphasize that this type of assessment is only evaluating quality at entry. As such, the results are only a partial indicator of overall safeguard performance. A more comprehensive approach should also include other factors, such as institutional capacity to carry out environmental safeguards by the implementing agency, implementation of effective mitigation

measures when necessary, and adequate monitoring of environmental provisions. Consequently, the conclusion that 98 of the projects were in compliance is misleading with regard to safeguards.

3.3.2 Third Rapid Supervision Assessment

The Bank's Third Rapid Supervision Assessment (RSA3), also carried out by QAG, tried to develop a more complete understanding of environmental issues, but once again provided less than comprehensive insight, although representing a considerable improvement over the earlier effort. RSA3 was based on a random sample of 200 projects under supervision during FY99. Four principal dimensions were assessed:

- Focus on development impact
- Attention to fiduciary aspects
- Appropriateness of supervision inputs and processes
- Realism of project ratings and reporting.

"Environmental aspects" was one of seven categories assessed as part of fiduciary aspects. The assessment of environmental mitigation and management measures was based upon the following criteria:

- Was supervision of the implementation of environmental conditionalities and covenants adequate?
- Were actions taken to ensure satisfactory implementation, monitoring, and reporting of mitigation and management measures?
- Were stakeholders consulted during implementation and monitoring?
- Were appropriate courses of action taken if compliance with the environmental safeguard policies proved unsatisfactory?

These questions provide good insight into issues related to environmental supervision, and represent a significant improvement over the Quality-at-Entry study. The above questions were applied to a subset of 50 projects by a group of environmental specialists. Of this subset, 17 projects were Category A, 22 were Category B, and 11 were Category C. Although the environmental specialists spent consid-

erable time assessing the 50 projects, the final RSA3 report does not include this group's findings. Rather, more generalized conclusions are provided in the final QAG report.

A summary memo of the environmental specialists' assessment offers more useful insight. Of the Category A projects assessed, 82 percent were considered satisfactory, while this was the case for only 55 percent of B projects. For C projects, there was some ambiguity, since the review team found that some C projects should have been classified as B, and vice versa. The specialist team concluded that the high degree of environmental supervision compliance for Category A projects was related to the clarity of Bank policies. They also concluded that task teams know what is required, or they consult with appropriate Bank environmental staff. In contrast, the poorer compliance with environmental supervision safeguards for B projects was considered to be a result of poorly defined Bank policies for these projects. Furthermore, task teams seem to approach Category B projects with less attention to environmental aspects, and frequently do not seek support from the regional environmental units.

RSA3 also contains useful insight regarding social development and supervision. A separate annex is incorporated into the final report that summarizes the results of the Social Development team's review. The review is based on a set of standardized questions that identify whether or not social assessment studies were undertaken, whether social safeguard policies applied to the project, what social development outcomes were relevant, whether identification of social conditionality is made in the Legal Agreement, and whether the social assessment was sound.

The key result of the analysis of social development supervision was that 40 percent of the RSA3 sample was being supervised with *insufficient* attention to social issues and risks, and without any planned social development outcomes. This analysis further noted that supervision of social development aspects and overall supervision improves with social development input. When both social analysis (project pre-approval inputs) and operational support occurs during supervision by social development specialists, the analysis found that supervision quality is very satisfactory.

3.3.3 Fourth Rapid Supervision Assessment

The most recent supervision assessment (QSA4) was carried out in FY00. It covered 103 projects, of which 14 were Category A, 56 Category B, and 33 Category C. Unlike previous years, no projects were rated “unsatisfactory” for environmental aspects, and no Category A projects were rated lower than “satisfactory” for overall supervision quality. This appears to confirm that Bank staff are doing an increasingly good job at supervising the potentially higher-risk A category projects.

Although the share of projects rated “Highly Satisfactory” (HS) for environmental supervision doubled compared to FY99, QSA4 found a significant decrease (9 percent) in environmental supervision performance ratings (fewer S ratings and more ratings of “M,” or marginal), as shown in Figure 3.1. It is notable that environmental supervision quality ratings also dropped slightly from RSA2 to RSA3. This rating decline may be a result of increasing scrutiny and involvement of specialized ENV reviewers, starting with RSA3 and sharpening in QSA4.

As shown in Table 3.1 there are noticeable regional differences in terms of environmental quality ratings; no HS projects were found in the Africa Region (AFR), and twice the Bank-wide average of HS projects were in the East Asia and Pacific Region. EAP’s strong showing is probably related to the number of large country portfolios in that region, with resultant economies; the fact that the regional environmental unit has more senior and experienced staff; and more field-based supervision using local staff. At the lower end, AFR has more M-rated projects than the Bank-wide average, which may be associated with the large number and wide dispersion of countries. The numerous small projects in the AFR region stretch staff resources and may account for lower ratings.

Projects begun in earlier years tend to receive more “M” ratings than the more recently approved operations (FY99). This is probably a result of the improvement in environmental safeguard provisions incorporated into project design as a result of improved safeguard technical inputs.

A more detailed look was taken at 14 operations (9 percent of the total sample) that were

Figure 3.1 Bankwide Quality at Supervision, QSA1 to QSA4

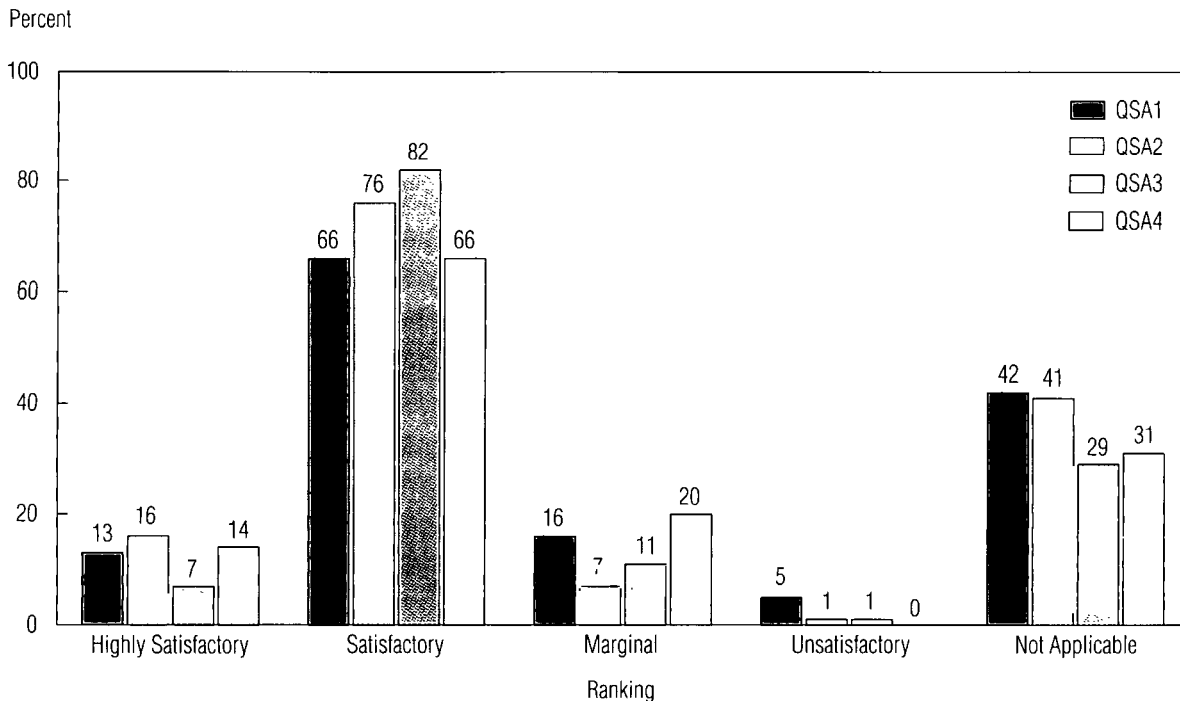


Table 3.1 Environmental Ratings by Region, QSA4 (%)

Region	HS	S	M	U
AFR	0	66	33	0
EAP	29	59	12	0
ECA	15	62	23	0
LCR	15	60	25	0
MNA	11	78	11	0
SAR	12	65	24	0
Bank-wide	14	66	20	0

rated HS for environmental supervision performance, in an effort to learn from the best performers. Among the report's conclusions were the following observations:

It is not surprising to find a larger number of high performers in the ESSD cluster, but the considerably higher-than-average representation of 'conventional' infrastructure and energy projects among the environmentally HS projects is very encouraging. These results clearly demonstrate that it is possible to do outstanding environmental supervision, even for the implementation of projects which traditionally were considered high risk for not complying with good environmental management practices in past performance assessments.¹⁷

A recurring attribute found in the detailed written assessments for these higher rated projects was that 'Quality at Entry' was considered good to excellent. This means that there was good environmental design and preparation work resulting in more comprehensive EA and an EMP, environmental impacts were fully identified, and mitigation and monitoring plans were clearly defined.

The assessment reports identified other features that are likely to have contributed to the high-quality performance of these 14 projects, including:

- Field-based supervision using local staff, especially for environmental aspects¹⁸ (more than 40 percent of the environmentally HS projects used field-based supervision, compared with only 21 percent of the entire sample)

- Committed task team leaders who placed priority on the environment by including specialists when needed, or by spending time themselves on supervising the environmental aspects
- Strong national or local environmental (and also technical) institutions that have taken on many of the environmental supervision responsibilities, including periodic reporting to the Bank
- Community-driven rural infrastructure development components with strong local consultation, participation, and environmental education elements
- Consistent and adequate reporting of environmental mitigation and monitoring activities in the project documents, including realistic environmental performance ratings based on measurable indicators.

The QSA4 report continued: "A careful review of the interview records and written assessments of environmental supervision performance showed a number of recurring themes and problem areas associated in particular with operations rated M for environmental aspects," including:

- Environmental specialists are rarely employed for supervision, including 6 of the 14 A category projects, which should have such a specialist going out on supervision at least once a year.
- Despite adequate preparation work, there is often a lack of follow-up on the implementation of the EMP.
- The reviews also found quality problems with the newer lending products, i.e. financial intermediary (FI) category projects and adaptable program loans (APLs): supervisory staff appear to be unfamiliar with the appropriate procedures for EA and EMP if financial intermediaries are involved (such operations fall now into the new FI category under OP 4.01). Similarly, based on the few examples contained in the sample, staff seem to have little experience with the use of environmental conditionality in APL operations, and with monitoring and tracking whether these conditions have been met.

Box 3.6 Examples of Environmental Excellence in Brazil and China

The *Brazil Rural Poverty (RGN) Project* is category B; only minor impacts are expected from the community subprojects. Only a simple EA was done, and the focus was on good environmental screening procedures and their inclusion in the project manual; checklists for use by the communities were included. Field-based supervision staff is making great efforts to “create a culture of environmental awareness” among the people and their local institutions, and they succeeded in having a local environmental specialist hired who is training the different stakeholders to raise their capacity for environmental mitigation and monitoring. This includes the communities and the local councils, and raising their sensitivity for the environmental dimensions of their investments. The Bank team is doing an excellent job of building and using local capacity, involving and educating the communities and, through these activities and their coverage in aide memoires, letters, and PSR, sending a consistent message to the borrower that “good environmental management is important to the Bank.”

The *China: Fujian Provincial Highways Project* is category A. A full EA and detailed EMP were carried out prior to approval, and the EMP implementation was covenanted in the loan agreement. The borrower prepared an additional EA and EMP for an expressway segment added later due to cost savings. The responsibility for environmental management was assigned to the environmental unit newly established in the provincial road authority, and they have reported regularly the monitoring results of air and water quality, noise levels and other relevant parameters. They also pay close attention to road and tunnel safety, especially for the operational phase. The Bank supervision team—which recently included two environmental specialists—has been very diligent in following up on the implementation of the environmental mitigation actions and the monitoring program. There is an ongoing intensive dialogue between the borrower staff and the Bank team, which seeks to identify problems and finds ways to address them. Thanks to the combined efforts of the Chinese and the Bank, the quality of environmental management on this very large project approaches western industrial country standards.

Source: QAG, QSA4.

- SECAL and SAL operations show little effective monitoring of actual environmental impacts during the implementation of a reform program—probably the most important element of environmental supervision of such operations.
- One of the most persistent problems encountered during the detailed review of the supervision documentation was poor reporting, although Category A projects were generally better in this regard. Many Category B projects did not rate performance of “Environment” or “Environmental Plan” in the PSR or they rated it NR or NA. In many instances the rating was not explained, either

in the PSR or the aide memoire, or it was inconsistent with actual environmental performance. Many of the ratings for safeguards compliance were neither clear nor consistent, with certain policies checked as applicable even when they were not, and vice versa. Finally, there often was no specific information in the supervision documentation regarding the checked safeguard policies and the presence or absence of associated issues.

3.3.4 QAG Assessment Summary Insights

What overall conclusions can be drawn from these efforts toward imposing quality control in the area

of environmental assessments? First, QAG is becoming more sophisticated in its efforts to assess safeguard quality, a positive factor that will help the Bank immeasurably in its ongoing critique of work in this field. Second, it is clear that while progress is taking place overall, Category A projects are making more progress in complying with Bank safeguard policies than Category B and other types of projects (SECALs, IFIs, and others). Thus more attention needs to be devoted to ensuring that managers of Category B projects understand and apply the safeguards. Third, the involvement of environmental specialists—especially field-based specialists—seems to be an important factor contributing to the quality of EA work, and the Bank should redouble efforts to ensure that these specialists are brought in at appropriate stages of the process. Finally, the QAG reviews confirm the consistent finding that newer projects perform better than older ones. If continued over coming years, this trend should mean that the overall portfolio becomes better and better at carrying out environmental assessment.

3.4 Inspection Panel

The Inspection Panel is a three-member body created in 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. The Panel's

Box 3.7 Who Can File a Request to the Inspection Panel?

At minimum, requesters must show in writing that:

- They live in the project area (or represent people who do) and are likely to be affected adversely by project activities.
- They believe that actual or likely harm results from failure by the Bank to follow its policies and procedures.
- Their concerns have been discussed with Bank management and they are not satisfied with the outcome.

method of functioning is laid out in Operating Procedures developed by the Panel members to implement the resolutions of the Bank's board of executive directors (the Board) that created the Panel. Because this is the first body of its kind to give voice to private citizens in an international context, the Panel's operational procedures and operations were designed to be innovative and fluid. As of September 2000, 12 formal requests had been received and investigated since Panel operations began in September 1994. The Panel maintains a website accessible via the external World Bank website and makes its reports publicly available.

The Panel receives a request and decides whether it falls within its mandate (see Box 3.7); if so, the Panel forwards the request to Bank management, which prepares a response to the allegations and submits it to the Panel. The Panel makes a preliminary review of the request, conducts an independent assessment of the merits of Bank Management's response, and recommends to the Board whether or not the claim should be investigated.

If the Board approves a recommendation to investigate, the Panel proceeds with the investigation. When the Panel finishes an investigation, it sends its findings to the Board and to Bank management. Bank management then has six weeks to submit its recommendations to the Board, covering actions the Bank should take in response to the Panel's findings. Based on the Panel's findings and Bank management's recommendations, the Board reaches a final decision on what should be done.

Recent reports on the Inspection Panel include two documents: "The Inspection Panel's First Four Years of Activities"¹⁹ and Ibrahim Shihata's "The World Bank Inspection Panel: In Practice."²⁰ These documents summarize the history of events for six projects²¹ for which allegations of Bank violations of environmental and social safeguard policies and procedures had occurred as of the time of publication. A wealth of information is provided for each case study, permitting the reader to understand how the Panel interprets compliance on a case-by-case basis.

The Panel's review of the Brazil Itaparica Resettlement and Irrigation Project, for example, includes reference to Bank management's response

to allegations of noncompliance by stating that it complied *fully*, *substantially*, and *partially*, respectively, to three ODs. Unfortunately, there is no presentation of what standards were used to establish these degrees of noncompliance. Similarly, the Panel concludes for the Brazil Rondonia Project that there was not *full compliance* with relevant policies and procedures. There are repeated statements of “violations of Bank environmental and social policies and procedures,” with reference to specific OD provisions in almost all of the case studies.

In its review of the Yaceretá Project in Argentina, the Panel considered that supervision and compliance go beyond including covenants in Loan Agreements. It specifically evaluates how safeguard provisions were implemented and the timeliness of such provisions from the perspective of both the borrower and executing entities. A slightly different viewpoint is presented by the Panel in its Brazil reviews, where it states that its function is limited to investigating the alleged failure by the Bank to follow its own policies and procedures, and does not extend to commenting on actions that are the responsibility of the borrower or project executing entities.

Ibrahim Shihata, who served as General Counsel of the Bank, maintains in his book that not all the standards provided for in the OPs and their predecessor documents have been binding on staff, because it depends on the wording of each standard. He argues that actual achievement of these standards may depend on the action of other parties, notably the borrower. Bank staff must ensure that contractual obligations require the borrower to achieve these “binding standards,” and the Bank must follow up to ensure the fulfillment of such obligations.

Further discussion sheds light on the role of the Panel, as interpreted by the Resolution creating it. The Panel may receive complaints for violations or construed violations of policy statements, Bank procedures, and other applicable Operational Directives, Memorandums, and Notes. According to Shihata, this Resolution explicitly excludes non-binding Guidelines and Best Practices. Shihata provides a useful discussion of how the Bank should require borrowers to prepare and implement projects. Policies related to project implementation are normally reflected in covenants that ap-

pear in the loan agreement or in a project agreement, and in some instances detailed action plans are attached to these agreements detailing the borrower’s obligations.

During FY00 the Inspection Panel took on two new investigations. As described in Boxes 3.8 and 3.9, one involved the means selected by the Bank for ridding Lake Victoria of water hyacinth and the other was a dispute over access to information about planned mining activities in Ecuador. Also in FY00, the Inspection Panel finalized its report on one component of a project in Qinghai, China, designed to reduce poverty.

The China Western Poverty Reduction Project (WPRP) graphically illustrates the problems still faced by the Bank in complying with its own environmental and social safeguard policies. Qinghai was one component of three of a project presented to the Bank in 1997. It aimed to reduce poverty by moving farmers living in one area to another, where dams, irrigation facilities, and canals were to be renovated or constructed. Among those living in the area were at least four ethnic minorities: Mongolian, Tibetan, Han, and Hui people (see Box 3.10). The request to the Inspection Panel was made in mid-June 1999 by NGOs representing the Tibetan people, alleging that the Bank was not observing the following policies: BP 17.50 (Disclosure of Information), OD 4.01 (Environmental Assessment), OD 4.20 (Indigenous Peoples), OD 4.30 (Involuntary Resettlement), OP 4.09 (Pest Management), and OP/BP 4.37 (Safety of Dams), among others. This request for inspection was also closely aligned with a much publicized campaign against the project by numerous NGOs. The World Bank President was also urged to drop the project by 60 members of the U.S. Congress and the U.S. Secretary of the Treasury as the U.S. representative on the Bank’s Board of Governors.

Protests and request for inspection notwithstanding, the Bank’s Board of Executive Directors approved the WPRP project on June 24, six days after receipt of the International Campaign for Tibet’s request for inspection. The Board stipulated, however, that there would be no disbursements for the Qinghai component of the project pending review of the Inspection Panel’s report. The Bank management also sent

Box 3.8 Kenya Lake Victoria Environmental Management Project—Inspection Panel Review

On April 10, 2000, the World Bank's Board of Executive Directors approved the Inspection Panel's recommendation that it conduct an investigation into an aspect of the water hyacinth management component of the Lake Victoria Environmental Management Project in Kenya. The Executive Directors' decision was taken on a no-objection basis.

The Panel report concluded (1) that the request for inspection met all eligibility criteria required under the Resolution establishing the Panel; and (2) that the request for inspection and the management response to it "contain a wide range of conflicting assertions and interpretations about issues, the underlying assumptions, the facts, compliance and harm." The Panel therefore recommended that the Executive Directors authorize an investigation "into the matters alleged in the Request."

The Panel assessed whether or not the Bank had observed its own policies and procedures on, among other things, Environmental Assessment (OD 4.01), Poverty Alleviation (OD 4.15), Economic Evaluation of Investment Projects (OP 10.04), and Project Supervision (OD 13.05).

The Panel's report was prepared in response to a request for inspection submitted by RECONCILE (Resources Conflict Institute), a Kenyan nongovernmental organization, acting for and on behalf of persons in the area known as the Nyanza, located in the Gulf of Lake Victoria (the Requesters). RECONCILE is also authorized to represent OSIENALA (Friends of Lake Victoria), an NGO located in Kisumu, and the Kenya Chapter of Ecovic (the East African Communities Organization for Management of Lake Victoria Resources) who represent communities living along the Kenya side of Lake Victoria. The Requesters claim that the communities they represent are likely to suffer harm as a result of failures and omissions of IDA and the IBRD—the implementing agency of the GEF—in the design and implementation of the water hyacinth management component (Part B) of the Project in Kenya. Specifically, the Requesters claim that the proposed use of a mechanical method of shredding water hyacinth and letting it sink to the bottom of the lake will result in ecological decay and environmental degradation that, in turn, will adversely affect communities living on the shores at the Nyanza Gulf. These communities depend directly on the lake for their livelihoods, since the Gulf is home to freshwater fish and the source of water for domestic use and these, and the ecosystem, will be endangered by the resulting pollution. They claim that the method was selected without a prior Environmental Impact Assessment or appropriate community consultation, as required by the loan documents.

a special team of very experienced Bank staff who had not been directly involved in the Qinghai project to the project areas to investigate the claims made by the campaign and others. The team reported that the allegations were not sufficient to justify further delay in Board consideration and Bank management decided to go forward with the project, subject as always, to Board approval.

Bank's Management prepared a detailed report for the Board, responding to all allegations and concerns expressed in the Panel request. The report essentially confirmed the conclusions of the special high-level staff mission to Qinghai. It con-

ceded though, that the Bank could have done certain things better, that some refinements in project design could and would be made, and that the Bank should have provided more timely and more complete information on the project to the general public. Management reaffirmed that Bank policies and procedures had essentially been followed and the WPRP was a sound anti-poverty project that would bring considerable benefits to the targeted poor while adequately protecting the interests of people in the move-in area.

After formal acceptance of the Panel request, the Inspection Panel assembled a team of specialists that researched the project and visited the

Box 3.9 Mining Development and Environmental Control Technical Assistance Project in Ecuador—Inspection Panel Review

The Panel’s review concluded: (1) that the request for inspection met all eligibility criteria required under the Resolution establishing the Panel; and (2) that the request for inspection and the management response to it “contain a wide range of conflicting assertions and interpretations about issues, the underlying assumptions, the facts, compliance and harm.” The Panel therefore recommended that the Executive Directors authorize an investigation “into the matters alleged in the Request.”

The Panel looked into whether or not the Bank has observed its own policies and procedures on Environmental Assessment (OD 4.01), Wildlands (OPN 11.02 now OP/BP 4.04 on Natural Habitats), and Project Supervision (OD 13.05), among others.

The Panel’s report was prepared in response to a request for inspection submitted by DECOIN, Defensa y Conservacion Ecologica de Intag (Defense and Ecological Conservation of Intag)—an Ecuadorian non-governmental organization acting for and on behalf of persons in the area known as “Intag” and four representatives of the Asociacion de Caficultores Rio Intag (Association of the Coffee Growers of Rio Intag), all residents in the Imbabura Province, Republic of Ecuador. The Requesters claimed that the communities they represent are likely to suffer harm as a result of World Bank failures and omissions in the design and supervision of the project.

Specifically, they claimed that the development of mining activities in the Intag area will prevent local communities from continuing to work in their traditional agricultural and cattle breeding activities. They also claimed that the project would have a destructive impact on critical natural habitats, threatening protected natural reserves and endangered species. The Requesters asked, among other things, that the mining information gathered under the project within the natural reserves, their buffer zones, and other areas in which there is a conflict involving local communities and mining companies not be publicly disclosed.

project area and submitted a report. The Inspection Panel report²² claimed that the Qinghai component of the project represented, for the most part, “worst practice,” in that the Panel found violations of all of the safeguard policies noted above—despite warnings along the way that the Qinghai activities were problematic. The major issues highlighted by the Panel Report were:

- The project was classified as a Category B project and the Panel summarized that it should have been Category A.
- The majority of ethnic minority communities that would be affected—mainly through involuntary resettlement or loss of passage through grazing land—were not consulted in accordance with Bank Policy and their differing social and cultural needs were not subsequently addressed.
- The number of people involuntarily affected by the project in the move-in areas was underestimated because some pastoralists had not been included.
- No analysis of alternatives was carried out, since as a Category B it was not required, but the Category A status would require such an initiative.
- Inadequate attention was paid to potential risks from earthquakes and water pollution by pesticides from nearby agriculture.
- A broader ecosystem view should have been taken for biodiversity and wildlife studies, particularly for the Black-necked Cranes.
- The quality and the timeliness of public information on the project provided during the preparatory stages were inadequate—information was not sent to the Infoshop according to disclosure requirements

Box 3.10 Key Background Features of the Qinghai Project

Under the project, some 58,000 extremely poor farmers living in the mountains of Eastern Qinghai would be assisted, on a voluntary basis, to resettle on irrigated land about 500 km to the west within the same province. The resettlement site is one of the last remaining undeveloped areas in Qinghai that is suitable for irrigated agriculture. The share of the Tibetan population in the three prefectures affected by this project (in move-out and move-in areas) ranges from 4 to 11 percent. They are the “least” Tibetan prefectures in Qinghai and the only three not designated solely as “Tibetan Autonomous”; the other five prefectures in the province are all designated as “Tibetan Autonomous.”

The ethnic composition of the 58,000 target population in the move-out area is about 42 percent Han, 36 percent Hui, 9 percent Tu, 7 percent Salar, and 6 percent Tibetan. The majority is therefore non-Han. All are chronically poor and many are illiterate. Paradoxically, the proportion of Tibetans living in the move-out areas would increase as a result of the project, because the proportion of Tibetans in the target group is much smaller than the proportion of Tibetans in the total population of the move-out areas. The relatively low (voluntary) participation rate of Tibetans in the target group was thought to be related to the fact that the move-out areas are located in the vicinity of the birthplaces of the Dalai Lama and the Panchen Lama. These are areas to which many Tibetans are deeply attached

The project area narrowly defined, which includes land to be irrigated and villages to be established, occupies a little over 200 sq. km. The project area broadly defined, which includes rural roads, irrigation canals, and open space between non-contiguous irrigation areas, occupies about 2,000 sq. km, or about 4 percent of Dulan County. At present, the area is poor-quality grassland, and is primarily used by the Mongolian cattle herders for winter grazing. Only 63 families presently live (part of the year) in the actual project settlement areas. They are semi-nomadic and all are Mongolian. Others use the area merely for the transit of cattle between summer and winter grazing. Another 248 households farm nearby amidst an old dilapidated irrigation scheme. All affected local people would be entitled to full compensation under the project or have the option to participate in it as direct beneficiaries. Transit rights through the project area would be fully protected. A grievance mechanism would be introduced to deal with concerns and complaints of affected local people

A few Tibetan villages are dispersed in the broadly defined area, but most local Tibetans live higher up in the mountains with their yak and their sheep, not in the project area. The inconvenience of the project on those mountain people would be minimal. Indirectly, they would benefit from a larger market for their products. Tibetans living near the project area, like other minorities, would have the option to participate in the project as direct beneficiaries or receive compensation if they were negatively affected and preferred not to participate. The Bank’s appraisal report indicated that Bank staff responsible for the project’s preparation and appraisal were aware of Tibetan dilution concerns and the perceived risk that Tibetan culture in the area might weaken through the replacement of a herding lifestyle with that of farming. However, since nobody would be forced to adopt a different lifestyle, while a large majority of the local people seemed to be in favor of the project, the Bank’s team found that these risks were manageable.

To protect the social fabric of villages in the move-out area, people would resettle on a village-by-village basis. The Qinghai provincial government originally proposed to move all 120,000 people who had applied for resettlement. However, the World Bank team persuaded the borrower to limit the number to a little under 58,000 so as not to overload the move-in area. The government also agreed to include in the project certain investments in the move-out area for the benefit of those left behind.

Based on *Was World Bank Support for the Qinghai Anti-Poverty Project in China Ill-Considered*, P. Bottelier, Harvard Asia Quarterly, Winter 20001.

Bank Management responded to the Inspection Panel Report in numerous ways, including agreeing to reclassify the project as “A”. It recommended also that (1) a number of supplemental and deeper environmental impact studies would be conducted; (2) additional consultations with affected people would be undertaken, with special attention to be given to the confidentiality and integrity of the process; and (3) separate Indigenous Peoples Development Plans would be prepared for several, but not all, of the different ethnic groups affected. Finally, the reports on these plans would be made available to each group in their own language.

After originally agreeing to accept these recommendations and additional work to fulfill these objectives, subsequent dissension on the Board led to requiring that the project be re-submitted for Board approval after completion of the additional studies and assessments. As a result, China finally withdrew its request for Bank financing.

The Inspection Panel report is available on the Bank’s website [<http://wbIn0018.worldbank.org/IPN/IPNWeb.nsf/>]. Perhaps the most positive result of the report and the process surrounding it is the spate of subsequent efforts by different Bank units and Regions to further clarify the need for careful environmental assessment and explain EA requirements in more operational language. These efforts are detailed in chapter 6.

3.5 Conclusions

Given the wide array of material covered by these reviews, the conclusion attempts to highlight some of the recurring themes that appear to reflect the most important ongoing weaknesses in the EA/safeguards process, with a focus on the issues raised in the earlier EA review.

It would appear that although Category A projects are being handled increasingly well, Category B projects require closer attention. The first problem is in regard to initial categorization, and what appear to be ongoing disincentives to categorize a project as A. Once a project has been categorized as B, the environmental and social issues involved do not seem to obtain the required level of attention, especially in the areas of (1) analysis of alternatives and potential environmental impact on a wider area than the project site, (2) public consultations, and (3) supervision. The unraveling of the Western

China/Qinghai situation is perhaps the worst-case scenario resulting from misclassification, but the lack of attention to Category B projects is reflected in other reviews and analyses as well. The categorization issue, and the related question of the Bank’s incentive system and how it affects such decisions, must be addressed by senior management.

Another theme repeated in many of the reviews—and raised specifically by EA-II—is the importance of involvement by environmental specialists. Such involvement, both in the early stages of project design and later, during supervision, is seen by several of the reviews as a factor contributing toward greater success in meeting safeguard provisions. Yet the most recent QAG assessment revealed that even some Category A projects are not being overseen by environmental specialists. One of the barriers is clearly cost, and the reviews and QSA4 both suggest that greater reliance on local specialists and more local capacity building may be the best way to improve environmental supervision, including monitoring of EMP implementation, given resource restraints.

Consultation and disclosure issues were raised in several instances, particularly in relation to projects located in China. Another persistent theme was the need to develop better tools to identify underlying and long-term environmental and social impacts of Bank activities. That is, staff need to become more skilled at looking beyond the immediate project area to see the broader implications of changes likely to occur—to the environment or to the people located nearby—as a result of planned activities.

Clearly the Bank has made tangible progress in many areas of EA/safeguard performance. Several of the reviews note that the more recent the project, the more likely it is to be in compliance with Bank safeguard policy. The QSA4 findings—that no projects were rated unsatisfactory for environmental aspects and no Category A projects received ratings below “satisfactory”—demonstrate tangible progress. This is undoubtedly due, in good part, to the training and guidance efforts undertaken since the new safeguard policies were articulated in 1999. Just as clearly, problems remain, and many of them are the same problems identified in earlier studies: lack of analysis of alternatives, failure to identify potential long-term negative impacts, and weaknesses in monitoring and supervision.

Annex 3.1 Comparison of Safeguard Studies and Assessments

Study	Number Projects in Study	Geographic Coverage	Designated Evaluation Criteria	Number Cat. A Projects	Number Cat. B Projects	General Objectives	Key Results
Effectiveness Review in India 1999	14	India	Extensive benchmarks and criteria with ratings	9	4	Assess effectiveness of EA, identify future needs and recommend improvements	Quality of EA was satisfactory, intense supervision benefited projects, and overall improvement was noted from older to newer projects
Safeguard Assessment Study in Latin America and the Caribbean, 2000	55	LAC	Extensive benchmarks and criteria with ratings	—	55	Design a rating safeguard system, verify ratings with field visits, and identify good practices	Only 13% of rated projects were satisfactory or good, design is better than implementation and there is high variability within countries with different types of projects
East Asia Pacific Regional B Category Portfolio Review, 2000	35	EAP	Extensive benchmarks and criteria with ratings	—	35	Identify projects with better safeguard practices and develop guidelines to transform these practices into practical operational tools.	Half the projects were good or satisfactory, 5 of the 8 “good” projects, and 8 of 12 good and satisfactory projects are in China. Projects rated marginal and unsatisfactory are most often weak in monitoring and evaluation
Environmental Safeguard Risk Management in the Philippines, 2000	12	Philippines	Extensive benchmarks and criteria with ratings	2	10	Establish a practical and useful approach for safeguard risk assessment and quality enhancement	Safeguard measures are adequate at entry, implementation is inadequate in many projects, and there are some risky projects
Africa Region Supervision Review of Category A and B Projects, 1999	10	AFR	Checklist of country environmental background and capacity and EA and EMP quality	6	4	Identify quality of supervision and required supervision improvements	Set of recommended corrective and communication actions for each project
OED Desk Review of Bank Performance with Safeguard EAs, 2000	19	All Regions	Extensive benchmarks and criteria with ratings	11	8	Review Bank and borrower safeguard applications, identify lessons and link to Bank safeguard policies	There are numerous good practices, legal requirements weak, Category As have sufficient supervision but not category Bs, mixed quality for participation and disclosure

OED Effectiveness of EAs and NEAPs, 1996	53	All regions	Set of review questions for projects under preparation, in implementation, and completed	11	32	Assess differing views on safeguards among staff and borrowers and evaluate a sample of projects	Improvements have occurred but there are shortcomings in safeguard applications and suggested improvements are provided
Review of Environmental Aspects of Water Supply and Sanitation Projects, 1999	17	ECA & MNA	Considered 6 benchmarks: environmental classification, analysis, EMP, legal, indicators, and stakeholder consultation	3	14	Identify good practices and recommend measures for safeguard improvement	Quality of environmental work is good for A projects but good to poor for B projects
Review of Selected Urban Environment Projects in China, 1998	4	China	Qualitative review of EMPs, monitoring requirements, and implementation actions by borrower	4		The extent of EMP implementation, including environmental management and supervision	Problems in monitoring water quality were identified, few EMP recommendations are included in legal agreements, inadequate supervision of the EMP
Review of Selected Urban Environment Projects in Indonesia, 2000	4 Projects	Indonesia	Comparison of EMP implementation, including monitoring, enforcement, and mitigation	4		Effectiveness of EMPs in mitigating adverse environmental impacts and improving environmental management	EMPs were generally followed, monitoring sporadic, and mitigation often not implemented with particular concerns in solid waste subcomponents
Environmental Performance of Bank-Financed Coal-Fired Power Plants in China, 2000	6	China	Standard survey forms, emissions data, and comparison to EA requirements	6		Assess environmental compliance	Most plants were in compliance with emission standards, consultation and disclosure were not practiced, and construction impacts were inadequately addressed
Reservoir Resettlement in China, 1999	Shuikou Dam & Reservoir	China	Sample survey with indicators of 35 villages and 524 households by 65-member evaluation team	1		Assess the involuntary resettlement experience of 67,239 rural and 17,215 urban people	Quality of reconstructed houses improved, community structures were larger and of better quality, job situation resulted in improved living standards and increased per capita income
QAG World Bank Safeguard Policies in China, 2000	6	China	Review of applicable safeguard policies and assessment of implementation quality	5	1	Assess the quality of Bank supervision and safeguard oversight	Safeguard policy design was satisfactory, EAs and RAPs generally satisfactory, and borrowers compliance with safeguard policies adequate

Study	Number Projects in Study	Geographic Coverage	Designated Evaluation Criteria	Number Cat. A Projects	Number Cat. B Projects	General Objectives	Key Results
QAG 2nd Quality at Entry Assessment, 1999¹	100 Board-Approved Operations in CY98	All Regions	2 questions on Environmental Safeguards 3 Questions on Social Safeguards			Bank-wide evaluation including 40 overall questions in eight major categories	Limited real assessment of safeguard project design—masked within overall evaluation
QAG 3rd Supervision Assessment	200 Under Supervision Operations in FY99	All Regions	Subset of 50 Projects Rated under fiduciary aspects General safeguard questions for environmental and social safeguards	17	22	Bank-wide evaluation including seven major categories	Environmental safeguards: Cat. A 82 % satisfactory Cat. B 55 % satisfactory Cat. C some ambiguity with classification Cat B poor compliance thought to be result of poorly defined Bank policies, Task Teams give less attention to environmental aspects, and frequently do not seek support from the regional environmental units. Social safeguards: 40% supervised had insufficient attention to social issues and risks and had no planned social development outcomes; supervision of social development aspects improves when project preparation and implementation include social development specialists
QAG 4th Supervision Assessment	103 Under Supervision Operations in FY00	All Regions	General safeguard questions for environmental and social safeguards for all operations	14	56	Environmental and Social specialists developed subset of safeguard questions and rated these separate to overall QAG questions	Improved ratings for Cat A projects Decrease in safeguard ratings from previous years, possibly due to involvement of specialized reviewers More recent projects' better ratings probably result of improved safeguard provisions in project design Good practice found among projects with Highly Satisfactory rating due to field-based supervision, committed TTLs, strong national environmental institutions

¹ 1st Quality at Entry and 1st and 2nd Supervision assessment did not assess safeguards

Annex 3.2 Methodological Note on QAG Reviews

RSA1 in 1997 had one simple question (R2.5) regarding the quality of environmental supervision; social aspects were presumably subsumed within OD 4.01. RSA2 expanded question R2.5 somewhat, clarifying that it included social aspects and explaining what was being reviewed (category compliance, social impact). RSA3 (1999) retained R2.5 and added a separate question for social aspects. Moreover, one-quarter of the total RSA3 cohort of 200 projects was subjected to a more detailed review by expert environmental staff; this “environmental” sample included all category A as well as random B and C projects. The specialist environmental reviewers provided inputs to panelists, attended interviews, and wrote detailed assessments.

QSA4 adopted this approach for all projects being reviewed in FY00. The main criteria considered in the assessment were:

- (a) *Overall supervision process:* Was environmental supervision undertaken, were environmental specialists or somebody with appropriate qualifications and experience used, were environmental issues addressed in supervision reports?
- (b) *EMP implementation and follow-up:* Is the EMP being implemented, does the Bank receive regular monitoring reports, is there ongoing public involvement, are additional EA/EMPs done for new components or programmatic lending?
- (c) *Compliance with environmental covenants and conditionalities:* Is there compliance and is the Bank monitoring it; what action is taken by the Bank in cases of non-compliance?
- (d) *Safeguards compliance (reviewed jointly with SDV):* Are there safeguards issues and are they being addressed, is this documented in supervision reports, how are cases of non-compliance dealt with, were issues and actions adequately identified at Board approval?
- (e) *Achievement of environmental objectives:* Is it being monitored by the Bank, are there measurable indicators?

Notes

1. A. Bruestle, *Report on EA Classification*, (Washington, D.C.: World Bank, 2000 draft).
2. World Bank, *India: Review of the Effectiveness of Environmental Assessment in World Bank-Assisted Projects, Fiscal 1990–97* (Washington, D.C.: 1999).
3. K.M. Green and R. Crown, "Assessment of Environmental Safeguard Management in Investment Fund Projects in LAC" (Washington D.C.: World Bank, 2000 draft).
4. K.M. Green, *East Asia Pacific Regional B Category Portfolio Review* (Washington D.C.: World Bank, 2000 draft).
5. World Bank, "Environmental Safeguard Risk Management—A Pilot Application for the Philippines," East Asia Environment and Social Development Sector Unit (Washington, D.C.: 2000).
6. Africa Region, *Africa Region Review of Category A and B Projects* (Washington, D.C.: 1998).
7. K.M. Green and A. Zazueta, *OED Desk Study of Bank Performance with the Environmental Assessment Safeguard in Selected Countries* (Washington, D.C.: 2000, unpublished).
8. World Bank Operations Evaluation Department, *Effectiveness of Environmental Assessments and National Environmental Action Plans* (Washington, D.C.: 1996).
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10. John Redwood III, Robert Robelus, and Tonje Vetlesester, "Natural Resource Management Portfolio Review," Environment Department Paper 58 (Washington, D.C.: World Bank, Jan. 1998).
11. OED, "A Review of the World Bank's 1991 Forestry Strategy and its Implementation," Operations Evaluation Department (Washington, D.C.: World Bank, 2000 draft).
12. "Implementing Environmental Management Plans: A Review of Selected Urban Environment Projects in China," Environmental and Social Safeguard Note 1 (Washington, D.C.: World Bank, Dec. 1999).
13. "Environmental Management Plan Implementation in Indonesia: A Review of Selected Urban Projects," Environmental and Social Safeguard Note 2 (Washington, D.C.: World Bank, Feb. 2000).
14. Lanqing Jia, Bernard Baratz, and Jack Fritz, *Environmental Performance of Bank-Financed Coal-Fired Power Plants in China*, East Asia Environment and Social Development Unit (Washington, D.C.: World Bank, Feb. 2000).
15. Youxuan Zhu, Martin ter Woort, and Barry Trenbath, "Successful Reservoir Resettlement in China: Shuikuo Hydroelectric Project," East Asia Environment and Social Development Unit Discussion Paper Series (Washington, D.C.: World Bank (n/d)).
16. *Quality at Entry in CY 98: A QAG Assessment*, May 17, 1999; *Supervision Quality in FY99: A QAG Assessment*, October 14, 1999.
17. Although the Infrastructure sector also has the highest number, and a larger than average share, of M-rated projects, document reviews and some of the interviews showed that fully committed, well-trained, and environmentally aware task team leaders and technical specialists can do very good environmental supervision without the need for environmental specialists
18. Although it cannot be supported by the QSA4 analysis, it seems certain that local staff have important advantages: apart from lower salary and travel costs, they are more readily available for advice to the borrower or for a visit to the field, they often have a better understanding of local issues (familiarity with the local culture and language), and they usually have the environmental problems of their own country very close to their heart (the Bank's increasing decentralization is attempting to capture some of the benefits of local staff).
19. *The World Bank Inspection Panel, the First Four Years (1994–1998)*, A. Umana (ed).
20. *The World Bank Inspection Panel: In Practice*, I. Shihata.
21. Nepal-Arun III, Brazil-Rondonia Natural Resources Management, Bangladesh-Jamuna Bridge, Argentina/Paraguay-Yacereta Hydroelectric, Brazil-Itaparica Resettlement and Irrigation, and India-NTPC Power Generation.
22. *Investigation Report, The Qinghai Project*, The World Bank Inspection Panel, April 28, 2000.

Chapter 4 Highlights

PUBLIC CONSULTATIONS

- Issues In Public Consultations
- Findings of Public Consultations Review
- Impact of Improved Public Consultation Work on EA
- Changing Attitudes
- Recommendations for Improving Public Consultations
- OED Safeguard Review of Participation Practices
- Review of Public Consultations Effectiveness in India

More public consultations are being held and their quality is improving. Some Bank staff and country counterparts are still resistant. Demonstrating impact is an effective way to overcome resistance, as is ongoing training/capacity building for PC. Documentation and monitoring need improvement. Results of public consultation impacts are provided and nine keys to success are highlighted.

DISCLOSURE

- First OPS Review: FY95–97
- Second OPS Review: FY98–00
- Addressing the Issues
- EA Compliance Rates (FY98–00)
- RAP and IPDP Compliance Rates: FY98–FY00 (3rd Qtr.)
- Disclosure In-Country

There have been significant improvements in the area of disclosure, a trend likely to continue as a result of a new tracking system. The new disclosure procedures have improved the timeliness of disclosure from the previous two to three years to the current one to two months, also improving the disclosure and tracking of RAPs and IPDPs. Through close coordination with the Regions, the InfoShop now knows which documents to expect each month and can take follow-up action when they are not received.

Consultation and Disclosure

Several of the studies discussed in the previous chapter refer to the quality of environmental assessment (EA) work; the Quality Assurance Group (QAG) reviews (which had not been initiated at the time of the EA-II review), in particular, address quality in two specific areas—quality-at-entry and supervision. This chapter covers in more detail specific aspects of the EA process that have a strong bearing on quality. It begins with a section assessing the Bank’s work in public consultations (PCs) and participation, which, as has been noted in earlier reviews discussed here, often play a crucial role in improving quality. The next section describes the status of disclosure procedures during recent years.

4.1 Public Consultations

World Bank Operational Policy (OP) 4.01 on Environmental Assessments requires that public consultations be carried out in projects judged to pose significant risk to the environment, including both Category A and B projects. According to the OP, these consultations must address the project’s environmental impact on project-affected groups and take their views, and those of local nongovernmental organizations (NGOs), into account. The consultation process should begin as early as possible, with a minimum of two consultations: “(a) shortly after environmental screening and before the terms of reference for the EA are finalized; and (b) once a draft EA report is prepared.” In addition, it is good practice for the borrower to continue to consult with “such groups throughout project implementation as necessary to address EA-related issues that affect them.”

The OP also notes that in order for *meaningful* consultation to occur, project information must be presented in a timely manner, accessible to the groups being consulted, and in a form that is understandable by them (in terms of language and technical matters). At the scoping phase, the information provided should consist of a summary of the proposed project, including both its positive and negative impacts. During the draft EA phase, a summary of conclusions and recommended mitigating measures should be provided.

4.1.1 Issues in Public Consultation

EA-II singled out public consultations as an area of ongoing “weakness” in the EA process, which thus merited increased attention. Studies in several regions

also concluded that public consultation was taking place in only about half of Bank projects where it was warranted.¹ In early 1997, for example, the Environment Department took a closer look at 14 projects in Asia (5 in South Asia, 9 in East Asia) in an attempt to capture some lessons that might contribute toward improving Bank performance.² Like others, this study found that only about 50 percent of the projects were meeting all Bank and borrower requirements for PC, and attributed ongoing problems to two main factors. First, many borrowers see PC as a “merely technical exercise” and do not believe that consultations can help avoid subsequent delays or that the quality of EA studies, mitigation plans, and project designs can be improved by drawing upon local knowledge and concerns. Second, the study identified a need for better guidance for Task Managers on designing and conducting information-dissemination and consultation processes.

Responding to these recommendations, in September 1998 the Social Development Department

published a Note on “Meaningful Consultation in Environmental Assessment,” which offers suggestions for improving Bank performance in consultations and includes a helpful “checklist” for staff charged with reviewing and evaluating public consultation plans and processes.³ In May 1999 the Environmentally and Socially Sustainable Development (ESSD) Network published an *EA Sourcebook Update* on public consultation.⁴ The valuable guidance contained in the *Update* concisely details the importance, sequencing, costs and benefits, and potential impact of timely, adequate public consultation, and offers concrete suggestions for carrying out the process. The *Update* describes the positive impact of public consultation on the quality of six Bank projects in different regions and different sectors, to stress the breadth of potential applications in EA work, as described in Box 4.1.

To assess the extent to which the Bank has succeeded in improving the quality and increasing the quantity of public consultations, a special study examined a representative selection of Category A

Box 4.1 How Public Consultation Improves Quality

- In a *Solid Waste Management Project* for the Organization of Eastern Caribbean States, negative environmental impacts of a proposed landfill site in Grenada, which the EA team had missed, were identified through public consultation, leading to the protection of an endangered species.
- Public consultation on a *Water Management Project* in Espírito Santo, Brazil, served to identify adverse social impacts and helped in the development of appropriate mitigation measures to protect an artisan community’s access to clay deposits and prevent a decline in the living standards of a nearby urban neighborhood.
- In the *Colombia Energy Sector Technical Assistance Project*, changes to the national power sector strategy were agreed upon by a wide range of stakeholders, both within and beyond the sector, through a national-level consultation program, helping to build consensus.
- Public consultation in the EA of the *Albania Forestry Project* identified the need for a program of meaningful public consultation in the management of state forests and helped to identify the major issues to be resolved before such a program could be implemented.
- Consultation with groups affected by a flood control project in the *Ecuador Lower Guayas Flood Control Project* resulted in changes to the alignment of flood evacuation canals, despite higher costs, to save an important wetlands area.
- As part of the *China Hunan Highway Project*, detailed analysis of questionnaires distributed among local residents served to identify concerns about land acquisition, relocation, and resettlement. The EA recommendations included increased dissemination of information and consultation efforts.

¹“Public Consultation in the EA Process: A Strategic Approach,” *Environmental Assessment Sourcebook Update* 26, Washington, D.C.: World Bank, May 1999.

and B projects, along with others involving financial intermediary, regional, and sectoral EAs. A total of 57 projects were reviewed, of which 39 (roughly 47 percent) were Category A and 12 were Category B. Of the sample, 6 projects worked through financial intermediaries, 2 were regional, and 1 was a sectoral EA.⁵

4.1.2 Review Findings

The findings of this review demonstrate quantitative and qualitative progress from all earlier reviews. The projects reviewed for this sample revealed that the Bank's strongest areas in PC implementation were *planning* (notably recruiting experienced participation experts, good social assessments, and information dissemination), increased *participation*, and improved *efforts to build local capacity*. In addition, more efforts were being made to include vulnerable populations often left out of the PC process (mainly women and the poor). The review also found that, in some cases, PCs were influencing project design. Overall, these improvements in project quality can be attributed to institutional changes within the Bank designed to oversee compliance with safeguard policies—mainly the establishment of the Quality Assurance Group and the Quality Assurance and Compliance Unit (QACU). Safeguards training by the World Bank Institute (WBI) and other Bank units may also have been a contributing factor. A number of institutional challenges, however, remain.

Among the specific findings of the review were:

- Approximately 87 percent of the projects held PCs during the scoping phase of the EA.⁶ However, the practice of hiring EA PC experts *after* the development of terms of reference still predominated in the new generation of projects.
- Approximately 87 percent of the projects held PCs on the draft EA. Projects with a QAG rating of 1 or 2 for effectiveness most often had consultations during the draft EA phase, clearly highlighting the correlation between consultations and project effectiveness.
- The 1999 *EA Sourcebook Update* recommended that, prior to embarking on the EA process, strategic planning for EA consultations should be carried out. This entails recruiting a social scientist trained in partici-

pation to design and implement well-defined plans for public consultation.⁷ These plans include proper stakeholder identification, good communication strategies, appropriate timing and content for information dissemination, and good documentation strategies. About 79 percent of the projects evaluated for this review recruited a participation specialist or a professional well-versed in participation.

- Almost 80 percent of the projects sampled conducted a Social Assessment (SA), the majority of which were quite thorough and informative. The benefits of SA can be amplified when linked to the EA process, especially in terms of informing the design and implementation of PCs. Again, the review found a meaningful correlation with good practice in SAs and projects with high quality ratings (1 or 2) by QAG. The latter had strategically planned their social assessments to better understand social and cultural issues, identify stakeholders, and improve participation in the EA. The *Nepal Road Maintenance and Development Project* is a good example of this approach.
- Almost all projects reviewed (90 percent) had excellent information-dissemination strategies and had been quite successful in sharing information, not only in appropriate languages and through appropriate venues, but also by employing creative means. Innovative methods of information dissemination, such as the Internet, have been combined with more traditional methods to increase project awareness. For instance the *Brazil Federal Water Management Project* and the second *Poland Road Project* are using an Internet site, which is continually updated, to keep the public abreast of progress as the project is implemented.⁸
- Documentation of the consultative process in EAs is still weak, even in some of those that were highly rated for public consultations. Although 72 percent of the projects sampled documented information about public consultations held during the EA, very few had complete, detailed records.
- Public consultations during EAs helped to create support for projects, build public trust in government, create public support for environmental mitigation, and foster government support for public consultations.

4.1.3 Impact of Improved PC Work

Changes in project design that result from the consultation process are an important indication that borrowers have taken the views of affected groups and NGOs into account. Many of these changes also yield improved quality (efficiency and performance), and are thus indicative of the value-added of public consultations. A summary of the impact of public consultations in 13 projects is presented in Table 4.1.

4.1.4 Changing Attitudes

Changes in attitude toward projects, public consultations, and participation are just as important to project quality as design impacts. An added benefit of PCs is increased local support for a project, and better understanding of project impacts at the national level when governments are involved in the PC process. Attitudinal impacts may also include the spread of participatory approaches beyond the immediate EA to other phases of the project cycle, or even other projects. Public consultations during EAs helped to create support for projects, build public trust in government, create public support for environmental mitigation, and foster government support for public consultations, as indicated in the examples cited below.

A strong social assessment for the *Latvia Waste Management Project* provided detailed information on the attitudes of affected groups, NGOs, and local government officials. This information was used to plan an effective public consultation and media strategy. Public consultations involved a series of meetings with public authorities, another series with NGOs, and three public meetings that received wide media attention, with coverage from TV, radio, and major newspapers. In this case, quality public consultation planning was instrumental in effectively communicating the environmental remediation aspects of the proposed facility. Key environmental NGOs and other public meeting participants now support the project and understand that it will reduce noise and odor and safeguard existing jobs at the site.

Increased emphasis on participation in client countries is another attitudinal result that may be achieved from the consultation process. Prior to the *Laos Nam Theun II Project*, the Laotian gov-

ernment had little experience with open, inclusive public consultation. The first press conference held for the project was only the second such event since the government came to power. Bank staff first engaged government officials by asking them about existing forms of public consultation and government-society communication. In this way, the Bank signaled its interest in respecting and building on existing cultural practices, rather than simply imposing its own generic approach. In the context of this open engagement, the government officials became receptive to considering the more interactive, open form public consultations suggested by the Bank. In the end the government adopted a PC strategy with consultation at four levels: international, national, provincial, and local. The greatest emphasis was placed on consultation at the local level, where the stakeholders would be most directly affected by the proposed project.

Progress was also evident in the China portfolio, where task managers (TMs) and task team leaders (TTLs) confirmed that 10 years ago public consultations were rare to nonexistent. In recent projects, the frequency and quality of PCs have gradually improved. The benefits derived from the improved process, according to the TMs/TTLs, include government officials with a keener interest in listening to the public's contribution, a trained cadre of experts in public consultations, and increased adaptation of participatory methods in domestic projects sponsored by the government. Yet the controversy surrounding the Western China Poverty Reduction Project indicates that the process has not always been satisfactory.

4.1.5 OED Safeguard Review of Public Participation Practices

An Operations Evaluation Department (OED) Safeguard Review undertaken during FY00 focused on identifying proper public participation procedures in 19 Category A and Category B completed and under-supervision projects.⁹ In the large, complex infrastructure projects, it was found that effective disclosure, consultation, and stakeholder vigilance contributed positively to the quality of overall safeguard implementation. Participation provided important avenues for sharing information regarding stakeholder concerns and helped build support for the projects. It also appears that,

Table 4.1 Summary of Public Consultation Impacts

Project	Impacts of Public Consultation
Argentina: Flood Protection Project	During consultations local communities opposed a dike that would have cut through a municipal park, and were able to propose a new alignment for the dike.
Brazil: Second Water Sector Modernization Project	The consultations improved the support of private water companies, who were able to improve their own environmental management capacity.
China: Tri-Provincial Highways Project	Consultations led to relocation of road alignments, access points, and underpasses.
Colombia: Cartagena Water Supply, Sewerage, and Environmental Management	Consultations led to the design of the Community Development Program, introduction of a nature reserve to protect a wetlands area, and the extension of piped water service to other low-income areas.
Indonesia: Water Sector Adjustment Loan	Government support for public consultation improved. Consensus on the need for local self-management of water resources was formed.
Laos: Nam Theun 2 Hydroelectric Project	Government support for public consultation improved, and the government agreed to the construction of downstream channel and irrigation works.
Latvia: Municipal Solid Waste Management Project	By engaging in public consultations, the government gained public support for a new landfill.
Lithuania Klaipeda Port Project	Through consultations, the Bank became aware of a history of dredging spoils by the client, which were in conflict with client's international obligations to protect the Baltic Sea. The scope of the mitigation plan was enlarged to accommodate the construction of an inland containment facility.
Philippines: Local Government Unit, Urban Water and Sanitation Project	During consultations communities were shown the water schemes designed by engineers. Community knowledge contributed vital information on flow rates, flow times, and duration. This information reduced potential costs and improved the engineers' support for public consultations.
Poland Road II	PCs held during the scoping phase identified several potential negative impacts, including recognition that a bypass in the original design was too close to the water source and might pollute it. The design of the bypass was revised accordingly. A local NGO raised concerns regarding the potential migration of frogs if the road were built to close to the national park; as a result, an underpass was built to mitigate this impact.
Philippines: Water Districts Development Project	Local government adopted participatory approaches, even for non-Bank work.
Shanghai Wagaoquo Power Plant	As a result of public consultations, the project team was able to dispense with the construction of new pipes and instead use existing residential wastewater pipes. This lowered costs and prevented duplication of efforts during construction.
Vietnam: Mekong Transport and Flood Protection	Local government support for the project improved through consultations, and site-specific information about the drainage characteristics of specific areas and the impacts of high waters was discovered.

in some cases, participation required greater resource commitments from the borrower and executing agencies and increased complexity.

Eleven of the projects examined dealt with large infrastructure works. Almost all projects carried out environmental and, when appropriate, social studies (see Table 4.2). Several projects incorporated participation in ways that helped to identify and provide timely response to the concerns of stakeholders during implementation. The review found that these projects appeared to do better in defining and delivering clear and realistic objectives related to safeguards. Several projects carried out sound social and environmental studies, identified reasonable monitoring and mitigation activities, but did not include mechanisms for information-sharing and dialogue with affected populations. These projects did not do as well in delivering on their safeguard-related objectives.

In closely examining five projects that exemplify good participation, the review found that participation was most useful when it: (a) contributed to improving access and exchange of information among stakeholders, and (b) provided avenues to articulate and address concerns of affected stakeholders. The review identified three components of successful participation: *information disclosure, consultation, and stakeholder vigilance* (see Box 4.2).

Among the projects reviewed was the Brazil-Bolivia Gas Pipeline Project, in which the Brazilian government made extensive use of the media to publicize the results of the EIA, while in Bolivia outreach efforts were channeled to local communities identified as potentially being affected by the project. Meetings were also held with NGOs. In another project, involving a sewerage project in Bombay, India, the implementing agency prepared a brochure about the outfalls and advertised its availability in newspapers and media. From the beginning the project gave special attention to fishing communities whose economic activities might be affected by sewage outflows. During appraisal, special informative brochures were produced and distributed, and special studies were carried out and made public regarding the likely impacts on fisheries. During implementation, the project, with the support of a Citizens Advisory Committee, sponsored several information campaigns that targeted con-

cerned fishing communities to engage in dialogue and address emerging issues and concerns.

The *Zambia Power*, *Ecuador Lower Guayas*, *Lesotho Highlands*, and *Brazil/Bolivia Gasoducto* projects all engaged in extensive public consultations. Provisions for PC were part of project design and continued during implementation. Supervision included social specialists assigned to check on borrower progress and adherence to agreed-upon social safeguard initiatives. Activities included promoting participation during project design, exchanging opinions regarding compensation to establish fair and acceptable packages, and establishing permanent mechanisms to keep stakeholders involved.

Establishment of a “watchdog” mechanism to ensure transparency and compliance sometimes occurred as a logical way to improve the process of PC. In some cases this mechanism consisted of committees including eminent individuals or organizations that helped guarantee the transparency of project-wide activities. In the case of the Brazil-Bolivia gas pipeline, an independent social specialist was hired to monitor the project’s compliance with social safeguards. For the *Lesotho Highland Water Project*, committees were decentralized to permit a timely response to grievances. In the *Ecuador Lower Guayas Project*, the consultation process led to the formation of a monitoring advisory group that met regularly throughout the project. The Bombay project formed a Citizens Advisory Committee to monitor the impacts of the project on local communities and met regularly every three months.

Another study, the *Effectiveness of Environmental Assessments Review in India*, also looked at the quality of public consultations. Of 14 country projects reviewed, only 50 percent were rated satisfactory or higher for public involvement and consultation criteria. However, the study highlighted several good practices in which the views of affected peoples were integrated as part of the project design to mitigate adverse environmental impacts. The *Second Madras Water Supply Project* (Box 4.3) is a good example of how systematic public consultation can result in the framing of rules to protect irrigation rights of farmers.

One key observation of the India study was that PC and involvement rarely continue beyond the project preparation stage. A clearly defined

Table 4.2 Public Participation, Information Disclosure, and Stakeholder Support in Infrastructure Projects

Project	Baseline Studies on Social Conditions	Information disclosure	Consultation in design	Participation in implementation	Stakeholder Vigilance	Key Actions and Outcomes
Bombay Sewage Disposal	•	•	•	•	•	Appraisal included extensive information disclosure and creation of a Citizen Advisory Committee that helped carry out public awareness campaigns to identify and resolve concerns of stakeholders.
Zambia Power Rehabilitation	•	•	•		•	Promote participation for identification of problems during implementation of subprojects. Steering committee with participation by ministries, local government, and local communities.
Ecuador Lower Guayas Flood Control	•	•	•		•	Consultation during EIA baseline studies, including development of compensation and other mitigation activities. Establishment of a monitoring advisory group that met regularly throughout the project that ensured endorsement of activities.
Lesotho Highlands Water 1B	•	•	•	•	•	Established Area committees to promote public involvement to address social and resettlement issues. Carried-out health programs to address HIV/AIDs, conducted monthly meetings with NGOs. Worked with NGOs to address socioeconomic impacts.
Brazil/Bolivia Gasaducto	•	•	•	•	•	Project carried out extensive information disclosure and consultation during appraisal, modified right of way of pipeline, established special funds to address concerns of stakeholders. Hired independent consulting firm for environmental supervision. Independent Auditor and fulltime Ombudsman to work with NGOs and communities.
Thailand Second Gas Transmission	•					Project accomplished all environmental and social provisions: resettlement, standards, regulations, and monitoring.
Pakistan Karachi Port Modernization	•					Environmental unit was established but no information on effectiveness. Purchase of pollution equipment delayed and finally cancelled at end of project.
Belize City Infrastructure	•					Environmental objectives reported as met in ICR, but no specifics provided. No mention of results of proposed financial assistance to prevent displacement of poor from historical district. Significant that tax reform to insure sustainability was not passed.
Berke Hydropower	•					Host agency failed to take into account recommendations of dam panel. Government did not take action, Bank canceled project.
India Private Infrastructure & Finance	•	•	•	•	•	Stakeholder participation from inception of project through feasibility design and construction. One project in New Delhi had Citizen Group actively engaged throughout life of project, add-on feature was construction of noise barriers.
Bali Urban Infrastructure	•	•	•	•	•	Local female contracted by Bank to carry out consultations with women. Stakeholder involvement including government agencies at all levels.

Box 4.2 Elements Identified from the OED Safeguard Study that Contribute to Good Stakeholder Involvement

Disclosure. Several projects carefully planned strategies to inform the affected stakeholders about the project and its potential impacts. Information disclosure was carried out in several ways, including the use of the media, newspapers, and production of informative brochures. Information disclosure sometimes focused on issues that were expected to be particularly sensitive and could result in widespread opposition of projects.

Consultation. Participation during design helped identify and resolve issues and improve the project's environmental performance. It avoided wider opposition to the project in latter stages. Efforts at engaging stakeholders is challenging and takes time and resources. Creation of permanent bodies such as citizen advisory groups, steering committees, and community liaison representatives proved useful and effective.

Stakeholder Vigilance. Since many of the projects reviewed consisted of complex infrastructure projects that affected the livelihoods of people, there was anticipated suspicions and skepticism. Neither traditional authorities nor their delegated representatives were trusted. Some of these watchdog committees were formed in response to suggestions of NGOs during appraisal. As such, it is likely that they were perceived as impartial and transparent.

strategy for PC was completed in only 20 percent of the projects under review. Only two projects, *Valdodara-Halol Road and Widening* and the *Assam Rural Infrastructure and Agricultural Services* were rated excellent for PC. PC was carried out from site selection and analysis of alternatives of the various proposed highway alignments in the Vadodara-Halol Road Widening project. In the Assam project, extensive discussions on project design were held with local NGOs and women's groups, which also participated in site-specific project design, implementation, and monitoring. In the *Bombay Sewage Disposal Project*, the Citizens Advisory Committee was formed, as mentioned above in the OED Study.

4.1.6 Improving Public Consultation

The improvements identified are encouraging, and reflect growing understanding of the relationship between overall project quality and the need to consult with the affected public. The following recommendations for improving performance on public consultation should contribute toward even greater forward movement in this area.

- *Develop policy and legal framework*
Country policy and legal frameworks for public involvement in the EA process represent the starting point for devising public consultation strategies. This allows TTLs/TMs to make the case that public consultation in EAs is a country requirement, not a condition imposed by the Bank. In Bank-financed projects that involve institutional strengthening, EA capacity building, and environmental impact assessment reforms, the World Bank should encourage its clients to adopt policies and laws that provide for public consultations and participation.¹⁰
- *Exchange information on improving borrower PC*
Through training and improved documentation of public consultation strategies, TTLs/TMs can share country experience on effective borrower engagement and support for public consultations that are open, inclusive, and interactive. This information can be used by future projects carried out in the same countries.
- *Provide more in-depth Bank training*
To improve the enabling environment for PC within the Bank, a top priority would be ef-

Box 4.3 Public Consultation on Design of Second Madras Water Supply Project

One of the original project components was a 235-kilometer transmission pipeline to run from the ancient Veeranam irrigation tank supplied by the Cauvery River to Madras City. The 11,500 farmers in the Veeranam command area were targeted through consultations convening farmers associations, representative groups, local governments, and village meetings. The farmers stressed their desire for formal operating rules to govern water supplies and releases from the water tanks, for both irrigation and Madras City. These consultations identified the additional need to establish new rules for releases from the larger Mettur Reservoir 200 kilometers upstream on the Cauvery. The outcome was the Government Order establishing operating rules for Veeranam tank that protected the irrigation rights of farmers in drought years and expansion of the Veeranam tank as an additional part of the project to ensure adequate water supply for irrigation.

Source: P. Selvam, S. Kapoor, P. Modak, R. Gopalan, *India, Review of the Effectiveness of Environmental Assessments in World Bank-Assisted Projects*, South Asia Region Environment Sector Management Unit. Washington, D.C.: World Bank, 1999.

forts to enhance TMs/TTLs knowledge and understanding of the benefits of participation and how to implement various participatory techniques. Training should cover how to comply with OP4.01, reach the most marginalized, and assess a good PC plan. Analysis of the impact of such training on Bank staff and their work should be carried out within six to nine months of the training. TMs and TTLs could also tap into the expertise of the Participation Unit, and review such materials as the *Participation Sourcebook* and Toolkit.

- *Aggregate in countries projects to have similar outcomes on institutionalizing PC*
Improving country capacity to conduct public consultations requires an aggregated effort of Bank-financed projects within each country. Therefore, Bank staff should strive to ensure that projects in a particular country have similar outcomes on institutionalizing PCs. By having numerous projects with goals that encourage consultation and participation through capacity building and institutional strengthening, the effects of each project will be amplified and more long-lasting. The aggregated benefits will move public consultations from being a World Bank requirement to a desirable country procedural requirement for designing and implementing effective public consultation/participation projects.

- *Improve Bank staff buy-in to PCs*
In a few projects, the consultation process was thwarted less by a lack of understanding of participation and the PC process than by reluctance on the part of Bank staff to support PCs. In these cases, PCs were seen as a hindrance rather than a tool to improve project performance. Exposure to public consultations and their impact has also been shown to overcome such attitudes. Disseminating the lessons learned from the benefits of effective public consultations through training and other means should improve Bank staff views on PC. Additionally, incentives for promoting public consultations and disincentives for not conducting public consultations should be institutionalized.
- *Standardize a documentation strategy*
Maintaining good documentation could be facilitated by providing Bank staff with a set of worksheets that serve as a template for the documentation process. Such a packet could also serve as a reminder of when to have consultations, and how to structure them. This type of documentation could be made available through an icon online for TTLs and TMs in each sector, or set aside with the participation toolkit. One person should be held responsible for reporting on the PC process.

- *Monitor PC implementation*
Techniques for monitoring and evaluating (M&E) the PC process include affirmation that participants have understood the consultation content after the PC is held, as well as assessing stakeholders' opinions of PC effectiveness and its impact on project design and implementation. By using M&E, public consultation strategies can be adjusted during the project cycle to improve stakeholder participation, information dissemination strategies, and mechanisms for integrating participant feedback into project design and implementation. Box 4.4 presents an innovative approach to M&E.
- *Increase local participation*
Fostering increased local participation in a project depends on the limitations in a given country. However, widely applicable good practices for more inclusive processes entail:
 - Developing an understanding of cultural obstacles to participation by excluded groups

Box 4.4 Creative Monitoring and Evaluation Techniques

Monitoring and evaluation vary from project to project. The TM in the *Philippines Local Government Units Urban Water and Sanitation Project* realized that he could not oversee whether or not the engineers conducted PC around the EA design, particularly since many of the towns were very remote. So to ensure participation, students from a national social work masters program were hired as outside, neutral observers to take notes on the process. Although the engineers were skeptical at first and reluctant to work with the “spies,” they soon learned how a participatory PC process could benefit their work. Over time they began to appreciate the new relationships that they were forging with the communities, as well as the opportunity to adapt project design to what the communities desired.

- Disaggregating quantitative data to be able to assess and understand the unique concerns of specific groups
- Holding small group meetings with each different vulnerable stakeholder group.
Another way to increase levels of participation is to make sure that the executing agency charged with overseeing the consultation is not paid until after the consultation has taken place, or use an external monitoring system to confirm participation levels.
- *Continue to build local capacity*
With the involvement of local groups in the EA process, measures can be taken to improve capacity through training in leadership and group management, education on citizen's legal rights and obligations,¹¹ and conflict resolution techniques. Yet, an excellent consultation strategy and plan can be thwarted by selecting unqualified local executing agencies to assist with implementation (local NGOs or consulting groups, for example). A checklist for evaluating implementing/executing agencies and their capacity to implement public consultations would be a step in helping to prevent this. Such a checklist could be accompanied by a set of best practices or guidelines on how to transfer or build capacity during public consultations.

4.2 Disclosure

Disclosure of relevant material—to permit meaningful consultations between the borrower and project-affected groups and local NGOs on all Category A and B projects proposed for International Bank for Reconstruction and Development (IBRD) or International Development Association (IDA) financing—is required to take place in a timely manner. This must be prior to consultation, and in a form and language understandable and accessible to the groups being consulted.

The Bank first issued instructions to staff on information disclosure in 1985, in an attempt to endorse the value of sharing information about its activities. In 1993 a revision of the policy expanded the types of documents to be made available to the public and established Public

Information Centers (PICs) to facilitate this effort. In addition to the Infoshop at headquarters, the Bank has PICs in Paris and Tokyo and smaller information centers in all country offices, serving in excess of 2 million requests each year. Since 1993 several issues have arisen that have led to a review and updating of the disclosure policy. Clarification has taken place around Resettlement Action Plans (RPs) and Indigenous Peoples Development Plans (IPDPs). Some previously confidential information is now being disclosed, as well as other documents (such as the Poverty Reduction Strategy Papers) that previously did not exist. Information technology has also changed dramatically and is challenging some of the previous assumptions regarding information dissemination practices and processes.

Disclosure is more than a bureaucratic requirement to send documents to the Bank's InfoShop. While this aspect of disclosure is essential to meeting Bank requirements, it should be emphasized that disclosure is a process that takes place at prescribed moments in the project cycle and at appropriate intervals during public consultation for environmental and social assessments. This concept has expanded in importance during the last several years, since all 21 cases investigated by the Inspection Panel since its establishment have involved elements of insufficient disclosure or outreach to affected people.

Approved in September 1993 and considered progressive for its time, the Bank's Disclosure Policy details which documents can be made available to the public and outlines the Bank's philosophy on information disclosure.¹² Bank Procedure 17.50, "Disclosure of Operational Information," sets out procedures for implementation of the Disclosure Policy. The new policy mandates that EAs and other environment-related documents for category A and B projects be disclosed, as well as Resettlement Plans and Indigenous Peoples Development Plans, whenever relevant. When Operational Directive (OD) 4.01 was converted to OP 4.01 in 1999, related disclosure requirements were incorporated, with a view to consolidating related requirements in one policy.

Disclosure increases transparency and accountability and leads to improved project design. In opening its activities to scrutiny and seeking op-

portunities to explain its work to the widest possible audience, the Bank has several roles:

- *As a development organization*, it stimulates debate, broadens the understanding of development, and facilitates the participation of stakeholders in Bank-financed operations.
- *As an organization owned by governments*, it is accountable for its stewardship of public funds.
- *As a borrower*, it discloses its financial condition and policies to attract purchasers to its securities,
- *As an employer*, it ensures that staff receive the information necessary to carry out their responsibilities.¹³

Disclosure should be understood as a prerequisite for meaningful consultation¹⁴ and as part of a process that involves the in-country discussion of project plans and impacts on local communities. Evidence of community input should be clear in project documentation and the resulting EAs, RAPs, and IPDPs.

Disclosure is related directly to the Bank's 10 safeguard policies, as outlined in Box 4.5. Public consultation and disclosure are required for 8 of the 10 safeguard policies falling under the provisions set out in OP 4.01 (see Table 4.3).

Category A Projects. The Bank's disclosure policy clearly states that "for all Bank-funded Category A projects . . . before the Bank proceeds to appraisal, the EA must be made available in the borrowing country at some public place accessible to affected groups and local NGOs and must be submitted to the Bank."¹⁵ These EAs must be disclosed in-country and at the Bank's InfoShop prior to appraisal. The same requirement applies to IDA category B projects with separate environmental reports.¹⁶

Category B Projects. IBRD category B projects have a slightly different requirement, and must be disclosed when received by the Bank.¹⁷ This requirement is not consistent with the spirit of the disclosure policy, since this vague statement allows EAs to be disclosed at any time in the project cycle—even if it is too late for others to review the

Box 4.5 Disclosure Requirements and the Safeguard Policies

- **Environmental Assessment, OP 4.01**
EAs for all category A projects; environmental analysis, environmental management plans and/or other separate environmental reports for category B projects must be disclosed
- **Forestry, OP 4.36**
Issues incorporated in EA
Separate forestry management reports disclosed as good practice
- **Natural Habitats, OP 4.04**
Issues incorporated in EA
Separate natural habitats management reports disclosed as good practice
- **Pest Management, OP 4.09**
Issues incorporated in EA
Separate Pest Management Plans must be written and included with the EA
- **Safety of Dams, OP 4.37**
Issues incorporated in EA
Separate Operation and Maintenance and Emergency Preparedness Plans must be available at the dam
- **Cultural Property, OPN 11.03**
Issues incorporated in EA
- **Indigenous Peoples, OD 4.20**
Issues incorporated in EA
Generally results in a separate report that must be disclosed with the EA (when conversion to OP 4.10 is complete, disclosure will be mandatory for all plans, not just projects with EAs)
- **Involuntary Resettlement, OD 4.30**
Issues incorporated in EA
Generally results in a separate report that must be disclosed with the EA (when conversion to OP 4.12 is complete, disclosure will be mandatory for all plans, not just projects with EAs)

document before a project is well under way. Since category B projects can contain important environmental and social issues that need to be more widely discussed, the Operations and Policy Strategy (OPS) vice presidency has proposed that disclosure requirements for IBRD category B projects be made the same as those for all category A and IDA B projects.¹⁸

RAPs and IPDPs. Over the past 10 years, environmental reports have become well integrated into project preparation and analysis, and there is a general understanding of their importance. However Resettlement Plans and Indigenous Peoples Development Plans—equally important components of project preparation—are less well under-

stood, and many times known only for the controversies that have arisen around those that are not well planned and implemented. RAPs and IPDPs must also be disclosed prior to appraisal, and should show evidence of meaningful participation by affected people in the process.¹⁹ Their inclusion in the EA process is clearly emphasized on three occasions in OP 4.01.²⁰

Together, these documents provide details of expected environmental and social impacts from Bank-financed projects. Since it was initially assumed that projects with significant adverse environmental impacts that are sensitive—which specifically includes involuntary resettlement and indigenous peoples—would be category A, the language in the policies reflects this assumption. Since

staff continued to rate projects primarily according to environmental impacts, however, some projects with major resettlement and indigenous peoples issues were rated category B. These issues are being addressed in the discussions surrounding the conversions of the Involuntary Resettlement and Indigenous Peoples ODs, and will be clarified in the OPs.

OPS oversaw two disclosure reviews during the period covered by the Third EA Review. The first was conducted in FY97 and the second in FY00. While the disclosure studies covered numerous Bank documents, both reviews looked closely at mandatory operational document disclosure.

4.2.1 First OPS Review: FY95–97

The first disclosure review focused on the availability of Project Information Documents (PIDs) and environmental reports at the Bank's InfoShop. It found that few reports were submitted prior to appraisal, although as a result of the study outstanding reports were submitted—from three days to three years late. Rates for compliance with the disclosure policy, which BP 17.50 states is “submission of the EA prior to appraisal,” for category A EAs were 6 percent in FY95, 5 percent in FY96, and 47 percent in FY97.

For category B EAs, the review looked only at IDA B projects for FY97. It found that PIDs were submitted for 45 percent of the projects prior to Board approval, but did not specify how many were sent prior to *appraisal*, the deadline for determining compliance. The study did not review RAPs or IPDPs.

Following the review, an Operational Memorandum was issued (Oct. 15, 1997) pointing to the weaknesses in implementation of the disclosure policy. The memorandum cited a need to improve the timeliness of EA submissions to the InfoShop, update PIDs and Environmental Datasheets (EDSs) regularly, and provide information to local offices. It further stated that PID and EDS issues would be addressed through improvement in electronic systems. The memorandum assigned responsibility for ensuring timely disclosure to task teams and country directors. All activities were to be monitored by the InfoShop and the Environment Department.

4.2.2 Second OPS Review: FY98–00

The second disclosure review of operational documents was more comprehensive and looked at all category A and B projects, as well as RAPs and IPDPs associated with those projects. The review found that problems still existed in achieving compliance with the disclosure policy, and that the recommendations made following the first review had not been implemented. Little had changed from the first review, although compliance rates for category A projects showed improvement, reaching 88 percent in FY00. Compliance rates for IDA category B projects remained low, hovering around 39 percent. The problems are highlighted in Box 4.7.

4.2.3 Addressing the Issues

The findings of the second disclosure review provided QACU with a mandate to begin work on improving compliance with the disclosure policy and increasing understanding of the objectives of disclosure. In the autumn of 1999, QACU began meeting with Regional EA database managers and the InfoShop to devise a strategy.

It was immediately evident that no systematic method existed for gathering information or assessing timely disclosure at the InfoShop. During FY99 the InfoShop had developed a rudimentary tracking system based on the ESSD core database, but due to inaccuracies in the database, not all projects for which documents were required could be known. Staff had envisioned that the new Bankwide electronic system would be able to provide all necessary project data, such as appraisal mission dates, but the system had not been programmed to do so, and could not be relied upon to monitor disclosure. The QACU decided that Regional database managers would send monthly lists of appraisal mission departures for all category A and B projects to the InfoShop. The InfoShop would track expected documents, such as EAs, RAPs, and IPDPs according to that list. This system was proposed to remain in effect until a Bankwide system could be programmed to provide this data electronically.

Additionally, to facilitate cataloging of documents and improve accuracy, a standard cover memo for the submission of hard-copy documents

Box 4.6 Key Bank Documents Associated with Safeguard Disclosure

- **Environmental Data Sheet (EDS).** Part of the project identification process involves filling out an EDS. This document summarizes key project information, such as components, location, major environmental issues, proposed actions to mitigate impacts, rationale for the Environmental Category, and other safeguard reporting milestones. This document is signed by the task team leader and head of the Regional Environment Sectoral Unit.
- **Project Information Document (PID).** Presents a brief summary of the main elements of the evolving project. As new information becomes available, or as an investment project develops, the PID is updated before the Bank's formal project appraisal. The PID also summarizes key safeguard issues, and should have a separate section at the end of the document providing information on EA, IPDP, and resettlement, where applicable.
- **Project Concept Document (PCD).** The PCD is the first project cycle document that defines the rationale for a proposed investment operation and the framework for its preparation, and flags issues or areas of special concern to the Bank. It serves as the basis for a Bank decision to assist a borrower with project preparation. The PCD later evolves into the Project Appraisal Document (PAD). Key safeguard contents of the PCD include social aspects, which summarize the major social issues to be addressed during project preparation. This section is meant to document significant social aspects of the project, including consideration of the social organization(s), tradition(s) and values bearing upon the feasibility, implementation, and operation of the project (e.g., gender-based differences in roles, responsibilities, access to resources). Environmental aspects summarize the environmental and natural resource management issues faced by the project and how they will be addressed during project preparation, including impacts related to indigenous peoples (OD 4.20) and involuntary resettlement (OD 4.30).
- **Environmental Assessment (EA).** The specific EA instrument depends on the type of project, as stated previously. It may be an environmental impact assessment (EIA), regional or sectoral EA, environmental audit, hazard or risk assessment, or environmental management plan. These reports are always separate technical volumes, which are part of the project files and are sent to the Infoshop. All EAs are listed separately for each project in the ImageBank, and can be retrieved through a project ID search.

(EAs, RAPs, and IPDPs) was developed and posted on the InfoShop's web site. The memo requires task teams to provide document details in a standard format and identify related documents that might be forthcoming. This is especially useful for tracking RAPs and IPDPs which are sometimes embedded in other documents, yet need to be recorded separately.

To increase staff awareness regarding disclosure requirements, training materials were produced. QACU worked with safeguard policy specialists to develop a simplified, two-page matrix for each safeguard policy. In addition to providing the objectives, triggers, and criteria for compliance at

various stages in the project cycle, each matrix lists consultation and disclosure requirements for each policy (see World Bank safeguards web site, <http://essd.worldbank.org/essd/internal.nsf/SPHD>).

A disclosure table was also developed detailing disclosure requirements for EAs, RAPs, and IPDPs according to project category and funding source. It has been widely distributed through print and electronic media and added to WBI training course materials. The table is designed to assist task teams and improve staff knowledge of specific disclosure requirements.

In response to these shortcomings, a working group comprised of QACU, ESSD, SDV, Regions,

For Category A projects, the EA is usually summarized as an Annex in the PAD. For Category B projects, the EA may be a separate report, described in the PAD annex, or sometimes briefly mentioned in the main body of the PAD under the section on Environmental Assessment.

- **Environmental Management Plan (EMP).** A project's environmental management plan consists of the set of mitigation, monitoring, and institutional measures to be taken during implementation and operation to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels. The plan also includes the actions needed to implement these measures. Management plans are essential elements of EA reports for Category A projects; for many Category B projects, the EA may result in a management plan only. To prepare a management plan, the borrower and its EA design team (a) identify the set of responses to potentially adverse impacts; (b) determine requirements for ensuring that those responses are made effectively and in a timely manner; and (c) describe the means for meeting those requirements.
- **Resettlement Action Plan (RAP).** The scope and level of detail of the resettlement plan can vary with the magnitude and complexity of resettlement. The RAP is based on up-to-date and reliable information about (a) the proposed resettlement and its impacts on the displaced persons and other adversely affected groups, and (b) the legal issues involved in resettlement. It may also include socio-economic studies, a legal and institutional framework, definition of displaced persons and criteria for determining their eligibility for compensation, valuation of and compensation for losses, an implementation schedule, costs for the plan, and a process for monitoring and evaluation.
- **Indigenous Peoples Development Plan (IPDP).** An IPDP includes information that anticipates adverse trends likely to be induced by the investment project and develops the means to avoid or mitigate such harm. Local patterns of social organization, religious beliefs, and resource use should be taken into account in the plan's design. Implementation arrangements should normally involve appropriate existing institutions, local organizations, and NGOs with expertise in matters relating to indigenous peoples. The plan should avoid creating or aggravating the dependency of indigenous people on project entities and, as needed, the plan should include general education and training in management skills for indigenous people from the outset of the project.

OPS, the Operational Care Services Network, and the Information Solutions Group was formed to develop a Bank-wide SAP-based system for monitoring and enforcing document disclosure. The new tracking system will be an integral part of the Project Documentation System, and require that PIDs, EAs, RAPs, and IPDPs be submitted to the InfoShop before the Project Concept Document migrates to the Project Appraisal Document. Once the system is launched, the manual compiling of monthly lists by Regional EA database managers will not be required, although it is expected that these staff members will continue to monitor document submission.

4.2.4 EA Compliance Rates (FY98–00)

The new disclosure procedures have improved the timeliness of disclosure. Although compliance with the policy is not yet 100 percent and some documents are still late, the tardiness of late documents has dropped from two to three years down to one to two months. Through close coordination with the Regions, the InfoShop now knows which documents to expect each month and can take follow-up action when they are not received.

From a low of 5 percent in FY96, as noted above, timely disclosure of category A EAs rose to 88 percent through FY00, and all EAs were in the

Box 4.7 Problems Identified in the Second OPS Disclosure Review

- *Staff were unfamiliar* with the disclosure policy, and disclosure requirements varied according to funding source.
- There was *no standard procedure* for disclosing documents to the InfoShop. Many documents were sent without identifying information and could not be, or were incorrectly, catalogued. Others were sent to the wrong address, since the InfoShop was at times confused with other document collection units.
- Focusing on disclosure at the InfoShop *did not raise the relevance and importance of disclosure as part of the project cycle*, nor did it add value to a project in the eyes of staff and clients.
- The new Bank-wide electronic system was not implemented until July 1999, and was *not programmed to monitor disclosure*.
- The InfoShop was not aware that it was supposed to record and track the *disclosure of RAPs and IPDPs separately* from EAs.
- A method to *monitor in-country disclosure had not been devised*.

InfoShop prior to Board date. These improvements are the result of the new system, an FY99 safeguards training course targeting category A task managers, and greater awareness of disclosure requirements through the involvement of Regional EA database managers. The timely disclosure rate for IDA category B EAs has risen only to 39 percent, up from 30 percent, although 96 percent are now in the InfoShop, and 93 percent arrived prior to Board date. This is a significant change from previous years, when only 25 percent of documents arrived prior to Board date and the other 75 percent were submitted long after—and usually only if requested.

There is clearly a need to train category B task managers, and Bank staff generally, in disclosure requirements, since many staff think that disclosure prior to appraisal is only relevant for category A projects. WBI includes a section on consultation and disclosure in its safeguards training, but greater outreach to staff working on category B projects will likely increase compliance with the disclosure policy.

IBRD category B EAs have different disclosure requirements and must be disclosed *when received by the Bank*, which is interpreted to mean whenever the Region sends it to the InfoShop. For FY00, only 40 percent of documents had been disclosed by late 2000, although Board dates for many projects with first and second quarter appraisal missions have already passed. OPS recognizes that

this requirement is meaningless, and has proposed in its disclosure issues paper that the requirement be amended so that Category B projects have the same disclosure requirements as category A and IDA-B projects. If this recommendation is implemented, then monitoring disclosure of documents for these projects will be meaningful. They have already been included in the new Regional/InfoShop monthly information coordination and are already being tracked, so amending the requirements will not result in the need to develop another tracking system.

4.2.5 RAP and IPDP Compliance Rates: FY98–FY00 (3rd quarter)

The new procedures have also improved the disclosure and tracking of RAPs and IPDPs. The timely disclosure of RAPs increased from 9 percent in FY99 to nearly 47 percent in FY00.

Resettlement Plans and Indigenous Peoples Development Plans must be disclosed with an EA to be considered in compliance with the disclosure policy. However, if a project has no EA, but triggers the Involuntary Resettlement or Indigenous Peoples policy, there is, technically, no requirement to disclose the plan. This technicality means that more than 25 percent of RAPs and more than 80 percent of IPDPs—all associated with category B projects—are not required to be disclosed. Con-

Box 4.8 Madagascar Public Information Services: A Success Story

In February 1996, when a new Resident Representative arrived in Madagascar, he found a small, disorganized collection of World Bank reports housed in an inaccessible space. Persuaded of the importance of having information available for all to access, he immediately created a strategy to develop not only a viable information center, but also a network of other places where the public could find documents on the Bank's activities in Madagascar. In less than a year the new Res. Rep had:

- Selected the best assistant in the mission to operate the center and ensured she received all adequate training
- Remodeled half a floor of the country office to make space and allow access to the center
- Gathered a meaningful collection of reports, books, and working papers and installed a public workstation giving access to the World Bank pages on the Internet.

In addition the Center offered a video room for presentations, reading tables, and a copying facility operated on a charge back basis. He then organized a grand opening cocktail, inviting many dignitaries, NGOs, donors, the University Dean, the press, television, and radio stations to the center. Shortly afterwards, a local TV station produced an exclusive documentary program on the Center and programmed it at prime time. This also resulted in great newspaper and radio station reviews. Together, these efforts resulted in heavy use of the new facility.

To establish a network of 11 small information centers giving access to Bank information all over the country, the Res. Rep established partnership with UNDP, universities, mayors, and, most successfully, with the "Alliance Francaise," which had a large network of well-managed information centers throughout the country. In large provincial cities two or three spots were selected. The country office sent documents and books free of charge (a dozen or so books and reports every three months). In return, the centers agreed to display the documents in a visible area, commit to free access, and provide quarterly reports to the country office on attendance, client needs, most requested documents, and so forth.

To advertise the existence of centers, meetings with mayors and project entities were organized in these centers whenever possible. All field office staff members and visiting missions were encouraged to advertise the existence of the centers. They were expected to use the spaces for conferences about World Bank work and/or on specific issues whenever they visited the provinces.

These accomplishments were achieved although there was no budget line reserved for information and public outreach. Staff mobilization, recognition of the huge need and desire for knowledge of the Malgache population, resourcefulness in operating without a budget, and constant reminders of the need for transparency and information led the team to what now exists.

Source: Diana Ya-Wai Chung and Veronique Danforth. See <http://wbln0023.worldbank.org/EXTRO/ExtKnowNet.nsf>.

versions of the Involuntary Resettlement and Indigenous Peoples operational directives into operational policies, expected in FY01, will eliminate this discrepancy and require all plans to be disclosed whether or not an EA exists.

Regardless, all RAPs and IPDPs for category A and B projects are now being tracked by the new system. When the requirements that all plans must

be disclosed prior to appraisal comes into effect, the Regions and the InfoShop will add category C projects triggering these policies to their tracking lists. This will involve greater inter-Regional coordination to ensure that staff know which C projects (normally not tracked for these issues) should be included on the monthly monitoring lists. Presently, 6 percent of RAPs are in category C

Table 4.3 Disclosure of Environmental and Social Operational Documents (June 2000)

Project EA Category ¹	Project Information Document (PID)	Environmental Assessment (EA) ^{2, 3, 4}	Environmental Data Sheets (EDS)	Resettlement Action Plans (RAPs) ^{5, 6}	Indigenous Peoples Development Plans (IPDPs) ^{5, 7}
IBRD	A Sent to Infoshop early in project processing, updated before appraisal. (BP 17.50, para. 4)	Disclosed in-country and sent to Bank before appraisal; Task team sends promptly to InfoShop. If Borrower objects, processing referred to Executive Directors. (BP 17.50, para. 12, OP 4.01, para. 19) EA executive summary sent to the Board when EA received by the Bank. (BP 4.01, para. 11)	EDS prepared as quarterly updates in the Monthly Operational Summary and sent to InfoShop. (BP 17.50, para. 11)	Resettlement Plan submitted to Bank before appraisal; incorporated in EA report and disclosed with it. (OD 4.30, para. 30; OP 4.01, para. 8, footnote 10; OP 4.01, Annex B, para. 2; OP 4.01, Annex C, para. 2; Operational Memorandum, December 3, 1993, para. 4)	IPDP submitted to Bank prior to appraisal; incorporated in EA report and disclosed with it. (OD 4.20, para. 18; OP 4.01, para. 8, footnote 10; OP 4.01, Annex B, para. 2; OP 4.01, Annex C, para. 2, Operational Memorandum, December 3, 1993, para. 4)
	B same as above	Any separate report disclosed in-country and sent to Bank; Task team sends to InfoShop upon receipt. If Borrower objects, processing referred to Executive Directors. (OP 4.01, para. 19, BP17.50, Annex D, para. 1e)	same as above	same as above	same as above
IBRD Guarantee Operations	A Sent to InfoShop 30 days before Board, updated as necessary. (BP 14.25, para. 7)	Disclosed in-country and sent to InfoShop 60 days before Board date. (BP 4.01, para. 17, BP 14.25, para. 10)	same as above	same as above	same as above
	B same as above	Disclosed in-country and sent to InfoShop 30 days before Board date. (BP 4.01, para. 17, BP 14.25, para. 10)	same as above	same as above	same as above
IDA	A Sent to Infoshop early in project processing, updated before appraisal. (BP 17.50, para. 4)	Disclosed in-country and sent to Bank before appraisal; Task team sends promptly to InfoShop. If Borrower objects, processing stops. (BP 17.50, para. 12; BP 17.50, Annex D, para. 1. e; OP 4.01, para. 19) EA executive summary sent to the Board when EA received by the Bank. (BP 4.01, para.11)	same as above	same as above	same as above
	B same as above	Any separate report disclosed in-country and sent to Bank before appraisal; Task team sends promptly to InfoShop. If Borrower objects, processing stops. (BP 17.50, para. 13; BP 17.50, Annex D, para. 1. e; IDA-10 1993)	same as above	same as above	same as above

IDA Guarantee Operations	A	Sent to InfoShop prior to appraisal, updated as necessary (see rules for exceptions). (BP 14.25, para. 7)	Disclosed in-country and sent to InfoShop prior to appraisal. (BP 14.25, para. 11)	same as above	same as above	same as above
	B	same as above	same as above	same as above	same as above	same as above
Trust Funds	A & B	Trust Funds are administered under applicable Bank policies and procedures: If given in conjunction with a loan and/or credit, process like the accompanying operation. If free-standing, process like an IDA credit. (OP 14.40 para. 10)				
GEF ⁸		Sent to Infoshop early in project processing, updated before appraisal.	Follow IDA guidelines (see <i>Disclosure of Information</i> footnote 1 at the following web site: www.worldbank.org/html/pic/Dp_root.htm). (BP 17.50, para. 4) (OP 4.01, para. 19, BP17.50, Annex D, para. 1e)	EDS prepared as quarterly updates in the Monthly Operational Summary and sent to InfoShop. (BP 17.50, para. 11)	Resettlement Plan submitted to Bank before appraisal; incorporated in EA report and disclosed with it. (OD 4.30, para. 30; OP 4.01, para. 8, footnote 10; OP 4.01, Annex B, para. 2; OP 4.01, Annex C, para. 2, Operational Memorandum, December 3, 1993, para. 4)	IPDP submitted to Bank prior to appraisal; incorporated in EA report and disclosed with it. (OD 4.20, para. 18; OP 4.01, para. 8, footnote 10; OP 4.01, Annex B, para. 2; OP 4.01, Annex C, para. 2, Operational Memorandum, December 3, 1993, para. 4)

1. For operations with IDA and IBRD funds, IDA procedures apply.
2. For Category B projects, several documents satisfy the EA requirement: EA/EIA/EMP/regional or sectoral EA/environmental audit/hazard or risk assessment (OP 4.01, para. 7).
3. Operational Memorandum, December 2, 1993: The full EA is attached to the PID, not summarized in an annex to the PID.
4. **Pelosi Amendment 1991** (U.S. Government requirement) stipulates that the U.S. Executive Director can only vote to approve projects that have disclosed EAs, Resettlement Plans, and IPDPs in-country, at the InfoShop, and to the Board 120 days before the Board date. Covers all projects, regardless of category, with significant impacts on the human environment. For a copy of the Pelosi Amendment contact the ESSD hotline at 202-522-3773.
5. The disclosure requirements of BP 17.50 were incorporated into OP 4.01, which was issued in 1999.
6. Where there is an EA, and the Resettlement Plan is part of another document, the relevant section(s) of that document should be disclosed. In the event that the EA and the Resettlement Plan are separate documents, the Plan should be disclosed separately.
7. Where there is an EA, and the IPDP is part of a social assessment, the social assessment and/or relevant section of that document should be disclosed. In the event that the EA and the IPDP are separate documents, the IPDP should be disclosed separately.
8. GEF full-sized projects (grants over \$1 million).

projects. It is unknown how many projects with IPDPs are classified category C. This information will become available when the indigenous peoples safeguard specialist completes his project inventory, expected in FY01.

4.2.6 Disclosure In-Country

The in-country disclosure of project documentation is the responsibility of the Borrower, and is a requirement of BP 17.50 and OP 4.01. Compliance has not been well monitored by the Bank. Country-level disclosure is one of the most important aspects of disclosure, since it gives affected parties the opportunity to provide input into projects that may significantly affect their lives. Disclosure in-country calls for several steps to be taken by the Borrower and by the Bank.

Borrower: According to OP 4.01, the Borrower is responsible for carrying out public consultation with stakeholders.²¹ Prior to consultation, the Borrower is required to provide relevant material about the proposed project and its impacts in a timely manner to project-affected groups. The requirement to provide information prior to consultation is aimed at ensuring that stakeholders have adequate time to understand project impacts and develop their comments and suggestions. Disclosure is meant to stimulate a two-way dialogue. If stakeholders cannot read project information, then it should be presented to them in another suitable format. Once their views have been taken into account and reflected in the EA, RAP, and/or IPDP, this final document should be disclosed locally and in-country. All these elements comprise one aspect of disclosure.

Bank: The Bank advises the Borrower on its policies and ensures that required Bank procedures have been followed and project documentation is complete. When the Bank is satisfied that these requirements have been met and officially receives an EA, RAP, or IPDP, it releases it to the InfoShop and makes it available in its Country Office.²²

To date, monitoring of in-country disclosure has not taken place systematically, and the in-country availability of documents has been uneven. According to the FY00 "Issues Paper" on disclosure, some countries have small Public Information Centers (PICs) with trained staff, while others have just a

few shelves in an office devoted to project documentation. The disclosure policy requires that all country offices be able to supply documents specific to the country in which they are located.²³ The first disclosure review assigned responsibility for in-country disclosure to Country Directors, but action taken varied from country-to-country. In 1999, therefore, *Guidelines for Country Office Public Information Centers/Libraries* (October 1999) were released, clarifying the roles and responsibilities for PIC staff, external affairs officers, and resident representatives.

As the capacities and standards of country office PICs vary, one Region has undertaken a pilot project. The InfoShop and Africa External Affairs have launched an internship program through which country office staff will spend three to six months at the headquarters' InfoShop. Although a slow process, it is expected that these internships will provide a better understanding of public disclosure and improve the organization and availability of project documents in country office PICs. In addition, a "PICs in the World" web site has been launched, which provides addresses and other contact information for those interested in obtaining information in country offices.

4.3 Conclusions

The reviews of Bank progress on public consultations are encouraging. More consultations are being held, and their quality is showing steady improvement. Studies demonstrating the positive impact of public consultations, among other factors, are apparently helping to convince Bank staff and clients of the value of bringing public opinion into the EA process at critical moments, disclosing project information in a timely and appropriate manner, and involving local citizens in monitoring and evaluation of environmental projects. Taking the nine recommendations made regarding public consultations into consideration should contribute toward ongoing positive results in EA quality through public participation.

In addition, this chapter has looked at important issues in disclosure and supervision, and found that while some projects demonstrate best practices, in other cases compliance has been spotty at best. One thread that seems to run through many

of the observations made by different Bank entities examining safeguard compliance is that projects not designated as Category A do not receive the environmental and social attention they often require.

Notes

1. Shelton Davis and Nightingale Rukuba-Ngaiza, "Meaningful Consultation in Environmental Assessments," Social Development Note 39 (Washington, D.C.: World Bank, 1998).

2. Shelton Davis and Tosca van Vifferijken, "Public Consultation in Environmental Assessment: Lessons from East and South Asia," Environment Department Dissemination Note 53 (Washington, D.C.: World Bank, 1997)

2. Davis and Rukuba-Ngaiza, "Meaningful Consultation."

4. Environment Department, "Public Consultation in the EA Process: A Strategic Approach," *Environmental Assessment Sourcebook Update 26* (Washington, D.C.: World Bank, 1999).

5. N.Rukuba-Ngaiza, R. Lubis, M. Cullen, Z. Li, C. Mausolff, "Public Consultation in Environmental Assessments 1997–2000," Environment Department (Washington, D.C.: World Bank, 2001, draft).

6. All percentage estimates of the projects sampled for this Review were based on data gathered through project documents and then were sent to TMs / TTLs for confirmation in the form of a quantitative chart.

7. Environment Department, "Public Consultation in the EA Process."

8. However, due to beneficiaries' generally limited access to the Internet in most Bank client countries, this is not a recommended means of information dissemination for all projects.

9. K.M. Green and A. Zazueta, "Study of Bank Performance with the Environmental Assessment Safeguard in Selected Countries. OED Report (Washington, D.C.: World Bank, 2000 draft).

10. For examples of EIA country legislation that has devised good public consultation and participation strategies, see Mohammed A. Bekhechi and Jean Roger-Mercier, "Environmental Impact Assessment Legal and Regulatory Framework: Study of Selected Sub-Saharan African Countries" (Washington, D.C.: World Bank, 2000 draft).

11. The Zambia Environment Support Program Project has a component that promotes training in citizens' environmental rights, which includes their engagement in the EA process.

12. The World Bank Policy on the Disclosure of Information (Washington, D.C.: World Bank, 1994). See www.worldbank.org/html/pic/Dp_root.htm for details.

13. Ibid.

14. EA Sourcebook Update 5, *Public Involvement in Environmental Assessment: Requirements, Opportunities and Issues*, October 1993.

15. BP 17.50, para. 12.

16. BP 17.50, para. 13; IDA-10, 1993.

17. OP 4.01, para. 19.

18. *Policy on Information Disclosure: Issues Paper (draft)*, April 14, 2000, (para. 30).

19. OD 4.30, para. 30 and OD 4.20, para. 18.

20. See OP 4.01: para.8, footnote 10; Annex B, para. 2; Annex C, para. 2.

21. OP 4.01, para. 15-18.

22. *Guidelines for Country Office Public Information Centers/Libraries*, February 2000. See <http://wbIn0023.worldbank.org/EXTRO/ExtKnowNet.nsf>

23. See *Policy on Information Disclosure: Issues Paper* for more details.

Chapter 5 Highlights

LINKS BETWEEN EA AND PROJECT LEGAL DOCUMENTATION

The Legal Department has reviewed the effectiveness of legal language for EA/Safeguards and made numerous recommendations for improvements, such as attaching an implementation program or plan of action as a schedule to a specific covenant in the legal agreement specifying the steps to be taken in executing the project, those responsible for the action, and their timing or phasing. Another effective measure is to refer to written standards—national, international, or World Bank environmental standards. LEGEN gave presentations on safeguards at many training sessions including training in Bank client countries, and prepared guidance for Bank legal staff in the field focusing on developing adequate legal covenants or language for overall project documents.

IMPROVING TERMS OF REFERENCE FOR EA

Relatively little focus on terms of reference for EA consultants could be identified and work is still needed in this area.

INTERNAL CAPACITY BUILDING

Given the importance of staff buy-in and understanding to thorough EA implementation, WBI and the six Bank Regions have sponsored training sessions on a variety of topics related to EA and safeguards. Efforts slowed in FY99, but a new Safeguards Training course was in the works during FY00.

EXTERNAL CAPACITY BUILDING

All Bank Regions have carried out some form of capacity building in EA/safeguards in their areas of responsibility; AFR and MENA have supported the establishment of ongoing training institutions and networks.

INSTITUTIONAL DEVELOPMENT PROJECTS

- Challenges in Environmental ID Projects
- Trends in Environmental ID Projects

A 1999 review of 28 environmental institutional development (capacity-building) projects points to dubious country-ownership and lack of political will as stumbling blocks to environmental ID in some countries, while the Bank's project cycle and incentive systems tend to work against the long-term process of institutional development. Yet some encouraging trends are identified.

Improving the Quality of Environmental Assessment and Safeguard Applications

This chapter addresses recommendations made in the Second EA Review regarding the need for building capacity, both within the Bank and in borrower countries, in the area of environmental assessment (EA). It begins with a section that describes a study of how project legal documentation can affect quality, and includes a discussion of progress on strengthening the preparation of terms of reference (TOR). The recommendations called for “a targeted program over the next two years” to include basic EA training for all Bank task managers (TMs) of Category A and B projects; supplementary, in-depth training for TMs of Category A projects; and briefings on EA for Country Directors. In addition, EA-2 urged the Bank to develop training strategies in each of its six operational Regions to improve EA capacity in borrowing countries.

Institutional development (ID) and capacity building are widely acknowledged to be challenging, long-term endeavors without any quick fixes. Capacity ranks as highly as political will and sufficient resources as a premier precondition for successful environmental work, and must be addressed if the EA process is to have country ownership and be successful and sustainable in the long run.¹ Overall, the Bank has made a concerted effort to meet the recommendations made in EA-2, although by the end of FY00 some Regions had made more progress than others. Two Regions had already begun carrying out major capacity-building initiatives, and a series of training courses had been developed and delivered by the World Bank Institute (WBI), in conjunction with the Environment Department.

The initial steps taken to implement the EA-2 recommendations were largely internal: a series of *Sourcebook Updates* were produced between 1996–99 (see chapter 6) and ENV staff began developing a training strategy. These discussions led to several courses in EA that were offered, in conjunction with WBI, to staff during 1998–99, mostly directed at task team leaders (TTLs). At the same time, Regions began to hold workshops and strategy sessions to identify needs in external EA capacity building and to evaluate potential responses. From these

beginnings have emerged important guides and guidelines to assist staff and counterparts in understanding and implementing the EA process² as well as increasingly successful projects focused on building institutional capacity for EA in all regions. The chapter is divided into five sections: strengthening the link between EA and legal documentation, internal capacity building, external capacity building, and institutional development projects.

5.1 Strengthening the Link between EAs and Legal Documentation

Although environmental protection does not appear in the Articles of Agreement establishing the World Bank, the Bank has obviously been wrestling for some time with the twin imperatives of economic development, its stated business, and the need to ensure that its projects do not harm—and preferably benefit—the environment. The legal language in which its lending documents are couched can help make the Bank’s internal policies, such as Operational Policy (OP) 4.01, the basis for the operating framework of any project through the use of covenants and conditionalities demanding environmental protection. Sharper and clearer legal language should result in improved effectiveness and implementation of projects with environmental objectives.

The Second EA Review referred to the need to look carefully at loan documents and bidding and contract documents to ensure that they reflect Bank environmental goals. No overall assessment as to the extent to which this has taken place is currently available. However a study of some of the best practice in the use of covenants and other legal language to ensure sustainable development outcomes was drafted in 1999 by staff working on legal/environmental issues.³ This unpublished study examined 50 projects from all Bank regions to assess whether or not the language used in contract documents was appropriate to, and effective in, ensuring safe environmental practices during project implementation.

An environmental loan covenant (ELC) is a provision in an agreement to take an environment-related action or to refrain from taking an action that might have a negative impact on the environ-

ment. An ELC can be general or specific; the study found that general covenants (calling, for example, for “due regard to be paid to environmental and ecological factors”) are usually too vague to be enforceable. Even specific covenants, however, must be detailed and specify very clearly and concisely the steps required to obtain compliance. In one case cited, very specific covenants were developed to cover a major iron-ore project, but they only related to the project site, failing to cover the surrounding area. As a result the project, while successful in some ways, had unfavorable impacts on both the natural and human environment. Another case suggests the need for “time-bound” conditionalities to be written into legal covenants. In this case, the covenant called for the drafting of new regulations covering environmental protection. The regulations were drafted—but not enacted in a timely fashion.

A successful technique used in some of the cases studied was to attach an implementation program or plan of action as a schedule to a specific covenant in the legal agreement. Such programs normally specify the steps to be taken in executing the project, those responsible for the action, and the timing or phasing of steps. Another effective measure is to refer to written standards—national, international, or World Bank environmental standards, for example. A reference to “resettlement plans satisfactory to the Bank” in a project document or ELC would clearly refer to the Bank’s safeguard policies. A third possible approach is to include conditionalities in conjunction with the ELC, making a given condition the premise for negotiating a project or making disbursements.

As the Bank began to understand the need for very specific conditionalities and the number of ELCs grew, there was a tendency to go overboard and regulate even minor matters. The review found that this “detracts attention from the important issues” and disallows needed flexibility, especially in innovative environmental initiatives, to respond to unforeseen changes in conditions. The review concludes with an annex of sample ELCs, but with the caveat that standardizing the language of ELCs is to be avoided; each must be written to cover the specific project in question to maximize the potential for compliance and a result that meets Bank safeguard policies.

Legal work on environmental issues is carried out by the Bank's Environment and International Law Unit (LEGEN). Among its main tasks are to review projects to help determine whether:

- Projects are in compliance with Bank safeguard policies
- There is a need to assist countries to prepare new environmental laws and regulations
- Projects are in compliance with relevant international conventions, and whether or not they need ELCs.

The draft cited above, and participation in a study of the legal framework for EA in 30 African countries (under preparation during FY00), were two of the LEGEN contributions to safeguard work at the Bank. LEGEN staff were closely involved as well in the process of converting and revising the safeguard policies, as discussed in chapter 2. In addition, LEGEN staff gave presentations on safeguards at many of the training sessions outlined in chapter 5, informing TTLs and others of the implications of OP 4.01 and the potential consequences of not following the Bank's safeguard policies. Some training in Bank client countries has also been carried out.

Additionally, LEGEN staff are in the process of preparing guidance for Bank legal staff in the field. These efforts are aimed primarily at developing adequate legal covenants or language for overall project documents. As noted above, if the project document does not establish a clear framework for how the many phases of EA are to be carried out, important facets will almost certainly fall between the cracks. Some of the problems the Bank has experienced in this regard are due to underfunding, some to ignorance, and some to what one staff called "sloppiness." That is, the failure of a consultant or staff member to hire a lawyer—even for a day or two—to review project documentation and ensure that it is in line with both Bank policies and the legal framework of the country in question. The bidding and construction contract focus suggested by EA-II is without a doubt an important part of tightening the EA operating environment, and should receive greater attention once language for overall project documentation has been satisfactorily addressed.

5.2 Improving Terms of Reference for EA

EA-II and other analyses of environmental assessment in the Bank have noted that the preparation of terms of reference for consultants hired to perform EAs is crucial to ensuring good quality. Although not a great deal of progress is evident in this area, two Regions have incorporated TOR into their new publications on EA. It is to be hoped that others will follow suit. Guidelines prepared by the Africa and Middle East and North Africa (MNA) Regions each include a section on preparing terms of reference.

The MNA "Guide" devotes considerable attention to the preparation of terms of reference, and includes detailed orientation for preparing TOR in the seven sectors covered. The Guide clearly states that analysis of alternatives must occur at the project planning stage, and that public consultation should occur during the early scoping phase and again at the project appraisal phase of the project cycle. It includes notes on these two areas in each of the sectors covered, thus providing a strong response to the recommendation of EA-II in this regard.

The Africa Region's "Survival Kit" also refers to the need for close attention to TORs, pointing out that they should "incorporate sufficient and precise guidelines on the preparation of public consultations." In a subsequent section the document describes procedures and best practice in this area. It does not, however, stress the need for including a requirement on analysis of alternatives in TOR.

Finally, the *EA Sourcebook Update* devoted to analysis of alternatives makes reference to the need for a focus on TORs in the analysis of alternatives stage. In a section entitled "Linkages to the project cycle" the Update states:

The evaluation and comparative assessment of realistic alternatives should be an integral part of the EA and pre-feasibility studies, and should be described in the EA report prior to appraisal. *It is imperative that Task Managers ensure that EA TORs adequately reflect the need to consider alternatives.* [emphasis added]

However, an earlier Update on "Public Consultation in the EA Process" does not stress the need

for attention to the language in TORs. Thus overall, attention to this need has been scarce.

5.3 Internal Capacity Building

5.3.1 World Bank Institute

During FY97 staff from the Environment Department and what was at the time the Leadership and Learning Center (now merged into the World Bank Institute) began developing a new strategy for internal training of Bank staff on environmental issues, including EA. Beginning in the fall of 1998, WBI began to offer training courses on environmental assessment as part of its "Environmental Learning Opportunities" series. Developed as a result of the earlier collaboration with the Environment Department, the courses responded directly to the recommendations of the second EA review.

- In March 1998 WBI offered training in "Application of Bank Environmental and Social Safeguard Policies" for task team leaders, to familiarize them with safeguard policies and demonstrate their application in the compliance and quality assurance system; 14 people participated and their evaluations ranked the session highly.
- WBI also offered a September 1998 course on "Environmental Assessment in the LCR [Latin America and the Caribbean] Region" to provide staff managing Category A and B projects with a deeper understanding of the EA process, methods, and techniques in different project and country settings. Seventeen staff were trained during this workshop, which was followed in October by a similar workshop for Africa Region staff, with five Bank participants. Both workshops received very positive evaluations by participants.
- Thirty-five staff attended a fourth workshop, "Institutional Framework for Environmental Management," held over two days in mid-November 1998. This workshop aimed at exploring issues of institutional structure, legal framework, and monitoring in the context of describing how a country develops an institutional framework for effective environmental management.

- In February 2000 WBI offered a one-day course on "Public Consultations in Environmental Assessment Processes in Category A Bank-Financed Projects" attended by 25 staff members from several Bank Regions and departments.

Although EA-2 recommended EA training for managers, and WBI offered two senior staff courses on global environmental issues during FY99, EA was not included on the agenda. This is one area in which the recommendations of EA-2 were not fulfilled in regard to internal capacity building. In addition, courses were supposed to be held over two fiscal years, but in fact were limited to roughly a six-month period (fall 1998 to spring 1999). This appears to be due to a combination of factors, including lower than anticipated levels of participation and a decision by WBI not to hold as many courses as originally planned. In addition, at least one region (LCR) reported that funds for training were not made available. Indeed, a checklist of Category A task managers from all Bank Regions developed in January 1999 showed LCR to be the Region in which the fewest task managers had received EA training. In contrast, all task managers in the Europe and Central Asia Region had been trained by that date.

During FY99/00 WBI and Bank staff from several Regions developed a new training course on "World Bank Safeguard Policies" for all staff working on Category A, B, and C projects on structural adjustment loans and on sector adjustment loans to be delivered both at headquarters and in regional offices during FY01. The training package is also geared to include client country representatives from the public and private sector and nongovernmental organizations. A CD-ROM version of the course will be made available for distance learning. During FY00 trainers were trained and the course was piloted in the Bank and at field offices (total of 152 people trained); intensive training is scheduled to take place beginning December 2000; in all between 500 and 600 staff are expected to attend the course.

5.3.2 Regions

Regional staff participated in preparing the new Bank safeguards course and attended the courses

offered by WBI. In addition, some Regions have designed their own EA/safeguards training courses or manuals.

Middle East and North Africa: The MNA Region developed and implemented a program that strengthens the capacity of EA reviewers both within the Bank and throughout the region. As part of this program, Bank team leaders for infrastructure, health, rural development, and water projects were all trained on proper application of Safeguard policies. In June 1998, 14 MNA task team leaders attended a Regional Safeguards course for TTLs of Category A projects, as called for in EA-2. Then, 33 MNA staff received EA/safeguards training during two sessions held in March and April 2000. The sessions featured certain common elements (safeguard policies, social policies, and environmental management plans), but each also addressed specific themes; examples from social fund projects were presented in April, while in March the focus was on power and water supply and sanitation.

East Asia and Pacific: The East Asia Environment and Social Development Group (EASES), the Region's safeguard unit, developed and delivered modular safeguards training programs to all headquarters-based sector and country units and staff of major resident missions. EASES created a "Safeguards Briefing Book" that lays out Bank policies and procedures in an organized fashion to facilitate the work of task team leaders. The book includes all relevant information on EA and safeguards, and is designed so that new materials (such as the June 2000 policy on "Disclosure of Environmental and Social Operational Documents" and the "Guidelines for Involuntary Resettlement" developed by the Social Development Department) can easily be appended to keep the Briefing Book current. Also included is a CD-ROM containing the same material, so that staff can have policy and procedural information available when traveling. The book was distributed to staff who attended four training sessions held in Washington (approximately 75 staff total from Energy, Rural, Transport, and Urban sectors) and two held in Asia (about 60 field staff located in China and the Philippines). In addition, the Region trained around 35 staff from the field and headquarters during a two-and-a-half

day Safeguards Retreat and participated in safeguard training offered to new staff and young professionals at the Bank. EASES staff also worked closely with WBI to develop the Bankwide Safeguards course mentioned above.

Africa: In addition to participation in formal WBI-sponsored training and course development, the Africa Region held some 10 Brown Bag lunches between 1996 and 2000, attracting an average of 10 participants per session, to discuss the policies and implications of EA requirements for work in the region. The Region also developed a detailed operational toolkit for staff, describing all steps in the EA process (see chapter 6) and, as part of an ongoing effort to develop a comprehensive strategic framework for EA capacity development in Africa, is examining ways to overcome some of the institutional constraints highlighted in EA-2.

South Asia: During FY99–00 the South Asia Region developed a comprehensive three-day training program on "Application of Safeguard Policies in World Bank Operations," which is scheduled to be delivered in FY01 to Bank staff in India, as well as staff from East Asia and MNA, including TTLs and Country Team leaders. The Region will also offer similar training for Bank clients in the region.

Latin America and the Caribbean: The Region has approached internal training through two mechanisms. First, a brochure describing all EA and Safeguards policies and procedures was distributed to all staff working with Category A and B projects. Additionally, during FY00 the Region drafted a more detailed set of guidelines for EA/Safeguard implementation to eliminate remaining uncertainties on when the policies are triggered and how to put them into practice.

Europe and Central Asia (ECA): At the end of FY00 (June 12, 2000) the ECA Social and Environmental Review team collaborated with WBI to sponsor a one-day retreat and workshop to refresh the environmental assessment and review skills of all environment and natural resources staff in the Region. About 30 participants attended; the workshop was "interactive," involving work and analysis of current projects in ECA.

5.4 External Capacity Building

The Bank's six Regions have approached external capacity building in different ways, depending on the needs identified, opportunities for partnerships, client enthusiasm, and other factors. Below are detailed examples of two different approaches to meeting the demand for building capacity in the national context, and a summary of efforts in other regions.

5.4.1 Middle East and North Africa Region

Following the completion of a major environmental strategy paper in early 1995⁴ the MNA Region made institutional capacity building and increasing public participation two of its three main goals in the region. Thus Regional staff participate actively in the "Environmental Impact Assessment [EIA] Initiative" of the Mediterranean Environmental Technical Assistance Program (METAP),⁵ carried out in collaboration with England's University of Manchester and the EA Center at the International Center for Environmental Technologies in Tunis (CITET). Overall, the EA Initiative utilizes south-south and north-south cooperation, EIA on-the-job training, and information dissemination to:

- Build capacity in EIA procedures and management, through training and involvement with EIA-relevant projects
- Develop the technical capacity of line agencies, private consulting firms, and financial institutions to carry out EIAs
- Develop the capacity to evaluate and approve EIAs
- Advise on guidelines developed by national and environmental institutes.

Between June and October 1999 seven workshops were held as part of this METAP pilot project. Box 5.1 describes the activities carried out during the workshops, the content of which was based largely on needs assessments carried out previously. These workshops, organized by local consultants in collaboration with environment agencies, were attended by an average of 20 to 30 participants from environmental agencies, universities, private consulting firms, and nongovernmental organizations (NGOs). Thus training reached some 150–200 people. The

pilot project stresses the use of local consultants as part of the effort to strengthen national-level capacity in participating countries.

Following these workshops, a high-level regional workshop was held in November 1999 in Tunis, in which the experience of other countries (industrial and developing) was described, Bank safeguard policies were presented, and participants discussed the future of EIA in the region. Subsequently a training-of-trainers event was held in Tunis March 27–30, 2000, during which 20 participants from 10 MNA countries were trained to develop and deliver EIA courses in their respective countries, and thus contribute to developing local capacity. Finally, METAP sponsored a training workshop for practitioners (Tunis, June 6–10) in which 24 participants from 12 MNA countries were offered scientific presentations and practical exercises related to identifying environmental impact and analysis and managing the EA process. For FY01, training is planned for EIA reviewers, NGOs, and the private sector.

In addition to the training activities, MNA conducted EIA assessments in Syria, Lebanon, and Morocco (February and March, 2000), in conjunction with local teams, to develop action plans to improve the quality and effectiveness of each country's impact assessment system and achieve standards of international best practice. For FY01, a similar assessment is planned for Algeria.

The role of CITET in the capacity-building process has become increasingly important, given the need for documentation and communication highlighted during various workshops. CITET has taken on the task of developing a library of EA legislation, procedures, guidelines, technical and academic reports and papers, and EIAs from all countries in the region and relevant international organizations. During FY00 this material was organized into a database that will be made accessible through a planned web site. CITET has also begun to gather a list of professionals that will serve as the beginning of an environmental network for the region.

5.4.2 Africa Region

The Bank's Africa Region has been actively pursuing improved capacity for EA on several fronts, in-

Box 5.1 METAP Capacity Building Workshops (1999)

Albania (June 28–July 2, 1999)

- Developing EIA in Albania in the context of international best practice

Turkey (July 5–9, 1999)

- Developing EIA in Turkey in the context of international best practice
- Initiating the process of developing review criteria and guidelines for developers and consultants on how to conduct EIA studies in Turkey

Jordan (Sept. 5–9, 1999)

- Developing EIA in Jordan in the context of international best practice
- Reviewing and commenting on draft Jordanian EIA bylaws
- Initiating the process of developing review criteria and guidelines for developers and consultants on how to conduct EIA studies in Jordan

Tunisia (Oct. 4–8, 1999)

- Developing EIA in Tunisia in the context of international best practice
- Further development of terms of reference for EIA studies
- Initiating the process of developing review criteria and guidelines for developers and consultants on how to conduct EIA studies in Tunisia

Egypt

- Technical workshop to modify screening forms A and B and lists of activities (Oct. 11–13, 1999)
- Senior management seminar to strengthen their understanding of the role of EIA in achieving sustainable development; presentation of Bank safeguard policies by MNA Regional Environmental Coordinator (Oct. 14, 1999)

Palestinian Authority (West Bank, Oct. 17–21, 1999; Gaza, Oct. 24–28, 1999)

- Developing EA in the Palestinian Authority in the context of international best practice
- Developing simplified EIA for pollution control and associated environmental auditing practices

cluding training and consultation workshops and support for local initiatives. This approach has over the past three to four years resulted in a new, Africa-based program, “Capacity Development and Linkages for Environmental Impact Assessment in Africa” (CLEIAA). The process by which CLEIAA evolved reflects the Africa Region’s internalization of some of the key points made by EA-II, in particular the importance of country-level ownership and political will to making the EA process viable.

Since an African High-Level Ministerial Meeting on EA held in 1995, African environment ministers had been seeking increased funding for capacity building in EA. A study on the status of EA in Africa recommended that the Bank respond

to this request (Mercier 1995).⁶ Support was forthcoming, and led to the conducting of a needs assessment by the World Conservation Union (IUCN) during 1997, which was followed by a three-day “Regional Stakeholders Workshop” on EIA held in Nairobi in July 1998 and also funded by the Bank. The workshop was attended by over 100 Africans working professionally in the field of environment, who acknowledged the widespread need for increased training of African professionals to conduct EA, support for training institutions, and improved communications and networking. The stakeholder group committed itself to developing an Action Plan for building EA capacity in the region.

Building on the momentum started at the Nairobi meeting, two African institutions called consultative meetings to advance the capacity-building process. A consultative group of Southern Africans meeting in February 2000 proposed the creation of a Regional Center of Excellence in EA capacity building to serve as a central base for training more professionals in southern Africa. By the end of FY00 this center, the Southern Africa Institute for Environmental Impact Assessment, had been formally established, with a board of directors composed of leading environmental experts from a cross-section of countries. In East Africa a second consultative meeting resulted in the creation of a sub-regional association for EA practitioners and a request for donor support to strengthen EA capacity building in existing institutions.

The Africa Region, meanwhile, devoted resources during FY98/99 to developing a comprehensive strategy for EA capacity development in sub-Saharan Africa, including support for initiatives such as those mentioned above, discussion of institutional constraints to strengthening EA, and a call for working with other donors to harmonize project approaches and requirements. The Region provided support for the African consultations and meetings, but has not called or led them, due to a conviction that efforts developed at the national/regional level are likely to enjoy greater country ownership, and thus be more sustainable. Given the commitment to strengthening EA capacity demonstrated in Nairobi and at the two sub-regional consultative meetings, however, the Bank took the initiative, in collaboration with Dutch authorities, to sponsor a meeting at The Hague in May 2000, attended by African stakeholders and key donors. From this initiative emerged CLEEIA, which will serve as a "help-desk" to strengthen networking, cooperation, and collaboration in EA capacity building in Africa. CLEIAA is based in Ghana's environmental protection agency with a small staff. Plans for FY01 and beyond include technical workshops, needs assessments, and steering group meetings to shape CLEIAA and respond to the ongoing need for EA capacity building in the region.

Support for the process resulting in the creation of CLEIAA and the founding of a new center of

excellence in Southern Africa has been supplemented by an ongoing succession of more traditional training workshops offered by the Africa Region. A West Africa training workshop was held in Ouagadougou, Burkina Faso, in 1998. The workshop was a two-tiered effort in which staff working in environmental agencies received training, returned to the job, and then attended a second training session to help them to overcome difficulties encountered while putting the results of the first session into practice. Other training workshops took place in Cameroon, Chad, and Ethiopia during 1999.

Finally, mention should be made of the MELISSA (Managing the Environment Locally in Sub-Saharan Africa) Program launched in 1996. MELISSA has as its goal to support and facilitate improvement of the local environment through partnership development and knowledge management. While not specifically aimed at EA capacity building, MELISSA works with local and national governments, academic and training institutions, non-governmental and community-based organizations, international support organizations, and the private sector to support:

- Local environmental governance
- Integrated environmental management strategies
- Participatory environmental evaluation and monitoring.

All of the MELISSA activities are clearly consistent with and supportive of the broad set of needs involved in implementing the Bank's safeguard policies.

5.4.3 Other Bank Regions

- The Latin America and Caribbean Region co-sponsored a three-day regional workshop held in Santiago, Chile, entitled "The Institutional Dimension of Environmental Management in Latin America and the Caribbean," with CONAMA (Chile's new environmental coordination agency) and the United Nations Economic Commission for Latin America and the Caribbean. Representatives from environmental authorities in seven countries

examined three different models for environmental management—Chile’s “coordinator” model; Mexico’s more centralized model; and Venezuela’s Ministry of Environment and Natural Resources, which functions in a context of decentralization and strong community participation in environmental management.

- The East Asia and Pacific Region has carried out capacity-building work in Vietnam, Thailand, and the Philippines, as well as Indonesia and China.
- The Europe and Central Asia Region carried out training in Latvia and Lithuania, participates in a regional initiative to help build capacity to value environmental costs and benefits, and has programs throughout the newly independent states to build institutional capacity for environmental management.
- Finally, the South Asia Region carried out a training workshop on “Application of Environmental Safeguard Policies in Bank-Assisted Transport Sector Projects in India” in June 1998, which brought together 15 national and state-level officials, 11 local consultants and contractors, 4 NGOs, and 16 Bank staff. A similar workshop was held in June 2000. The Region also developed a pocket-sized guide to “Safeguard Policy Compliance” for distribution throughout the region. A Safeguards Workshop planned for 2001 will include external clients from numerous sectors and feature experienced speakers from the Bank and outside entities.

5.5 Institutional Development Projects

An addendum to the second edition of the Bank’s *Performance Monitoring Indicators Handbook*⁷ singles out the capacity of institutions dealing with environmental issues as critical to the entire process of environmental assessment and implementation of environmentally related projects.

The success of environmental policy initiatives is contingent on a well-functioning network of institutions that can support the formulation, implementation, and regulation

of environmental objectives. In many of the Bank’s client countries such support systems are either non-existent or embryonic. *Capacity building initiatives, therefore, are one of the most important and challenging areas for environmental lending.* These efforts can have a far-reaching impact, since they form the foundation for integrating environmental concerns into mainstream policy development. The stronger the institutional framework, the better and more timely the response to environmental problems is likely to be. [emphasis added]

Recognizing this urgent need, the Bank began supporting environmental institutional development projects in 1990 and has continued to devote resources to several new projects each fiscal year. A 1999 review of the Bank’s environmental capacity-building projects covered 28 such projects originating between FY90 and FY97.⁸ At the time of the review, several of the projects were nearing completion and 20 more were in the pipeline. The following observations are based only on references to the 28 projects included in the 1999 review, which had as its goal to “improve the design and effectiveness of Bank-financed environmental ID projects.”

The frequency of appearance of these project categories does not necessarily reveal the importance placed by the Bank on a particular area. For example, only five projects involved the establishment of a new environment agency, but the approximate cost of these activities (US\$155.5 million) was more than three times greater than the cost of institutional restructuring in 25 projects (US\$48.4 million). Moreover, by far the greatest amount of funding went to environmental education and research (US\$191.7 million for 17 projects).

5.5.1 Key Challenges

Although most of the environmental ID projects analyzed in the 1999 review received “Satisfactory” ratings during the Bank’s annual review of project performance (in fact, they improved significantly more than Bank projects as a whole over the period covered), the reviewers point to an overall sense of “frustration” with the degree to which

Box 5.2 Key Objectives of Environmental Institutional Development Projects

The projects analyzed were undertaken in Africa (10), Asia (7), and Latin America (8) and addressed a wide array of ID issues. The most frequently cited project components are listed below, in the order of frequency with which they appear.

- ***Institutional restructuring and strengthening.*** These types of projects might involve creating a new institution to oversee environmental issues, creating a new agency within an existing institution, or simply enhancing technical capacity within existing institutions. Human resource development plays an important role in such projects.
- ***Development of environmental policies.*** Countries with new environment agencies must often begin from scratch to create the policy framework within which the agency will work. These projects provide technical and other assistance to countries for this process.
- ***Creation or strengthening of environmental information systems.*** These types of projects are usually aimed at building capacity for gathering information on the local environment and monitoring change.
- ***Development or review of laws and regulations.*** In countries lacking environmental laws and regulations, support is provided to create them; in countries where such laws are weak or outdated, support is aimed at strengthening them to standards required by international agreements and including environmental impact assessments in the legal framework.
- ***Decentralization and development of local capacity.*** In countries undergoing decentralization, support is provided for that process and to raise the capacity of local authorities to participate in and monitor environmental actions.
- ***Education and research.*** These projects seek to produce teaching material and environmental curricula, establish university environment programs, and support research into priorities and possible strategies in a country.
- ***Public awareness.*** Twelve of the projects studied designed public awareness programs to encourage broader participation and understanding of environmental issues and build capacity and consensus for environmental action, largely among NGOs and local communities.

environmental management capacity was increased as a result of these efforts.

On the country side, two of the main problem areas identified were “ownership” and “political will.” Creating or strengthening agencies to develop policy on environmental issues often provokes strong dissent from powerful players at the national level—within and outside of government circles. The review urged careful consideration of the extent of country commitment, drawing on the knowledge of the Bank’s Country Office, before undertaking environmental ID projects. Additionally, the review found that projects being implemented during times of political and macroeconomic crisis suffered as a result, often receiving “Unsatisfactory” ratings. The review-

ers suggested that a more realistic view of potential risks be reflected in the initial stages of appraisal. Other problems include:

- The cross-sectoral nature of environmental issues, which demands considerable coordination among various actors that may not normally interact
- The relative newness of environmental concerns to both governments and the public
- The fact that most agencies charged with responsibility for the environment are quite “young,” and often lack clearly defined responsibilities.

From the Bank side, three key critical problems were identified in the ID projects reviewed:

- A perception that results are required within a specified timeframe established by standard Bank project cycle, which contrasts with the slow process of institutional development.
- The focus on adhering to a prescribed formula for disbursements, based on internal management incentives, rather than holding borrowers and their executing agencies accountable for results.
- Difficulty in measuring accomplishments of ID projects because the development objectives and specific components are often vaguely defined and usually lack measurable indicators.
- Recent projects tend to be *smaller and less complex*, with *goals, objectives, and roles and responsibilities more clearly defined* than in some earlier efforts. These projects also explicitly state the need to *start slowly* and increase the scale of a project only when there is evidence that institutional strengthening has taken place.
- More recent projects have placed *greater emphasis on support for stakeholder participation* in project design and monitoring (Box 5.3).
- Recent projects have shown a willingness to attempt *innovative approaches and pilots*.
- Finally, newer projects have been able to *build on lessons learned* from the portfolio as a whole, while second-round projects in a single country have, in some cases, incorporated specific lessons learned during the previous environmental ID activity into project design, as demonstrated in Box 5.4.

Achieving meaningful improvements within any national environmental institution requires a profound knowledge of the particular institutional culture, both formal and informal. The status and importance of the institution in comparison to other government agencies, and how well it will be able to interact with them, are also important factors. Such knowledge cannot be achieved by simply looking at an organizational chart or reorganizing the institution; it requires a slow process of institutional analysis. When this does not take place, a tendency to overestimate the capacity of local institutions to undertake a given task often leads to poor results. Serious changes in institutional culture are often required before the ultimate goal of protecting the environment can be reached. But the Bank is not, on the whole, accustomed to working at this pace or in this way. Instead, the Bank tends to allocate large sums of money and expect tangible results at a faster rate than the process of institutional change allows. Thus both existing *incentives* (focused on approving projects, rather than transferring skills and managerial capacity) and the *project cycle* (developed for large investment projects) are often inappropriate for ID projects.

5.5.2 Recent Encouraging Trends

Despite these significant obstacles, a number of environmental ID projects have been quite successful, and the reviewers identified some positive overall trends in more recent projects.

Box 5.3 Stakeholder Participation in Project Preparation and Design

The Malawi Environmental Management Project and the Zambia Environmental Support Program, both initiated in 1997, demonstrate Bank support for increased community involvement in natural resources management and a concomitant decrease in centralized control. They were both developed through a highly participatory process, involving the government, private sector, civil society groups, and traditional leaders of local communities.

Both projects feature components specifically designed to assist local communities and traditional authorities in the areas of environmental awareness, planning, decisionmaking, and implementation, as steps toward decentralizing responsibility for environmental conservation to the community level. The two projects create innovative funding mechanisms—a pilot environmental fund in Zambia and a “microprojects window” for community environmental plans in Malawi—to carry out these goals.

Box 5.4 Madagascar Institutional Development Project: Lessons Learned

The first environmental ID project in Madagascar began in 1990, and was one of the first three Bank-supported projects in the field. Seven years later, a second project was developed, which incorporated into its design lessons learned from the earlier experience. A third phase will strive to mainstream environmental concerns into macroeconomic management and sector programs. Based on a 1988 National Environmental Action Plan, the program began in 1990 with considerable input from external sources; by the time the second phase was designed national institutions were leading the preparations in a country-driven, participatory process. The lessons learned that were incorporated into the second project included:

- **Institutions.** Building capacity in new institutions has taken more time than anticipated and has absorbed much of the effort of the program. The next step was to clarify the institutions' roles and mandates vis-à-vis other government agencies.
- **Environmental management strategy.** Environmental strategies need to put greater emphasis on rural development and small-holder land management on lands experiencing high population pressure. Consequently, during the second phase a regional and local approach to biodiversity conservation was developed, and will be complemented by agricultural and other income-generating activities.
- **Community involvement.** Work with the communities concerned, in both the preparation and implementation of project components, is crucial. Ownership increases the speed of implementation as well as the sustainability of the ID process it was designed for.
- **Impact evaluation.** Originally, no efforts were made to evaluate the impact of the policy framework on the environment, nor had sufficient attention been given to evaluation of the costs and benefits associated with environmental protection activities, which is seen as critically important. This has been given appropriate attention in the follow-on activities.

Source: Margulis and Vetleseter, 1999.

Chile's *Environmental Institutions Development Project* (1993–99) has attracted considerable positive attention (Box 5.5). With Bank support, Chile created a new agency to coordinate the country's environmental approach and activities, and trained personnel in relevant ministries and agencies in environmental concerns and management. The Implementation Completion Report (ICR) rates the project as "Highly Satisfactory," and an evaluation by the Operations Evaluation Department rates it as "Satisfactory." It is one of the few environmental ID projects for which an ICR is available, and offers a concrete understanding of both the potential and the pitfalls of ID projects that aim to mainstream environmental management.

Although the previous discussion focuses on projects considered primarily as institutional de-

velopment projects, other important Bank operational undertakings result in institutional development but are not necessarily viewed as ID projects. Recent portfolio reviews for both Biodiversity and Natural Resource Management projects showed that ID was a regular part of many of these projects. These projects contain components or subcomponents that specifically deal with executing agency improvements in implementing safeguard measures. Such provisions are summarized in Box 5.6.

Perhaps more important is the great lengths at which the Bank works with borrowers and executing agencies in an array of development projects—outside traditional environment-related projects—to advance safeguard practices through a variety of ID activities. Numerous sector projects (Social Funds, infrastructure, community development, energy and power, gas and oil, wa-

Box 5.5 Chile's Environmental Institutions Development Project

Following Chile's transition to democratic government in 1990, an executive decision was made to create an environmental agency to coordinate environment policy and implementation of related projects.

The challenge was to build the agency, CONAMA (National Commission for the Environment), and enable it to have an impact on the 13 sectoral and other agencies responsible for activities affecting the environment, as well as the social and economic forces responsible for and affected by environmental damage.

Over the seven years in which the project was active, it succeeded in helping to build CONAMA into a functioning agency; establishing for the first time a coherent legal and regulatory framework and EIA rules and procedures; training 1,500 professionals from different sectors in basic and intermediate environmental management; promoting greater environmental awareness among the Chilean public; and developing an environmental information system. Other project results included the creation of an Environmental Economics Unit to produce economic analysis of environmental issues and the publication of a series of standards governing pollution and decontamination plans. The project also sought to strengthen Chile's ability to evaluate and manage priority environmental problems in three especially problematic sectors: forestry, industrial pollution, and mining.

The Chile project suffered many of the same types of setbacks that have affected other projects, such as uneven political commitment, resistance by entrenched interests to the need for environmental protection, and considerable turnover in leadership at all levels. Lack of synchronicity in Bank and Government of Chile budget allocations also occurred, as did implementation delays from both sides. Finally, CONAMA was not successful in bringing the Ministry of Mines into a cooperative relationship and the project's impact in the mining sector was considered less than optimal.

Despite these difficulties, the project's considerable successes make it a good example of how environmental institutional development should work. It is also viewed as a model of one particular approach—the “Coordinator” model—in which a central agency has oversight, but considerable power is still wielded by sectoral agencies with environmental units. CONAMA's role is to guide and coordinate public sector administration of environmental issues, while day-to-day management remains with sectoral agencies. Since central clearance and monitoring functions remain under CONAMA's control, however, it has the clout needed to get things done.

Other factors seen as contributing to the success of the Chile project include strong initial support from the executive and the existence of highly trained and motivated public servants and a growing number of knowledgeable civil society groups.

Lessons learned in Chile, applicable to many environmental institution building projects, include:

- When an institutional policy framework does not exist, it is necessary to limit the project's objectives. It is difficult to implement public policy in a new area when a tradition of coordination does not exist.
- The project should have been more aggressive in promoting environmental awareness and creating alliances to promote a consensus on environmental issues.
- The project should have focused more on human resource development, specifically with respect to environmental decisionmakers in sector agencies.

Source: “Implementation Completion Report (Loan 3529-CH) on a Loan in the Amount of \$11.5 million to the Republic of Chile for an Environmental Institutions Development Project” (Washington, D.C.: World Bank, June 2000).

Box 5.6 Other Types of World Bank Institutional Development Support

Institutional Development in Biodiversity Projects

A 1998 portfolio review of Bank biodiversity protection and management projects provides insight into some of the other ways that safeguard-related institutional strengthening occurs.^a The 1988–97 commitments in Bank-sponsored operations amounted to over US\$1.7 billion through 118 projects (several of which are included in the overall “environmental institutional building” projects discussed above) or project components in 64 countries. Biodiversity conservation activities receiving Bank support were grouped into seven categories, one of which was “national strategies, policies planning and institution building.” This category represented the largest resource allocation, after “management of existing protected areas.” Such efforts often extend to environmental institution building focused on biodiversity concerns. For example, the Biodiversity Protection Project in Ecuador contains components to support the formulation of national policies for protecting biodiversity, strategic planning for the national system of protected areas, regulations for creating protected areas, review of development plans as they affect biodiversity, and planning a nature tourism system for the country. Projects in Poland and Belarus include the adoption of protocols for environmental assessments in biodiversity. In the Ukraine and Bolivia, biodiversity projects support the development of national policies to guide land use around protected areas.

Natural Resource Management (NRM) and Institutional Development

The Bank’s 1998 NRM portfolio review identified three distinct types of projects, as well as several combinations, including: promotion of sustainable agriculture, forestry, and fisheries development and/or water resource use; conservation or protection of specific ecosystems and associated biodiversity; and strengthening of national and/or subnational institutional capacity. Many institutions and agencies in the national realm of resource management (for example, ministries of agriculture and forestry or water and irrigation authorities) deal with both resource production and conservation. It was found that virtually all operations involve some institutional development measures, many of which are related to the goals and aims of Bank safeguards.^b These projects include such varied activities as: sustainable crop production; soil conservation, afforestation, improved livestock management, micro-watershed management, and land-use rights. Although the project is geared toward these overarching outcomes, a set of ID activities is almost always included. In a more traditional view of ID, these smaller project subcomponents are often overlooked when addressing larger multi-institutional ID projects.

ter and sanitation) contain good examples of ID safeguard components. These types of ID activities are generally not well publicized or acknowledged within the Bank portfolio.

A close look at many of these operations reveals that Bank presence throughout the life of a project is critically important for safeguards. Many safeguard ID measures are not easily implemented, and often meet strong resistance from the executing partner, as was the case for the Nicaragua Social Fund (Box 5.7). In a similar context, the

long-term presence of the Bank in particular sectors in many countries has led to a gradual increase of safeguard ID measures spread throughout projects at many levels. This includes such safeguard provisions as environmental monitoring techniques and discharge and emission standards, as observed over a 12-year period in the gas sector in Thailand (Box 5.8).

The 1999 review of institutional capacity building concludes with 10 recommendations to further improve environmental ID projects, which are

Urban Environmental Development in Sri Lanka

The Metropolitan Environmental Improvement Program (MEIP), a joint World Bank-Government of Sri Lanka effort, is not explicitly an environmental ID project. Yet during its six years of existence the program has helped the government to develop environmental management strategies and action plans and strengthen the institutional and legislative framework for environmental planning, monitoring, and enforcement.^c MEIP was carried out in Colombo, the capital, and two smaller cities, where problems of air and water pollution, hazardous waste disposal, and sewerage were spoiling the environment. The Bank worked with national and local authorities, through technical assistance and training, to create regulations to control air pollution and hazardous waste disposal, support cleaner production in factories, construct wastewater collection networks, and restore Lake Beira, among other things. The lake, located in Colombo, was being polluted primarily as a result of over 7,000 unauthorized sewer connections. The program is providing sewer connections for the squatter settlement and carrying out public education regarding the environmental degradation of the lake. It has received favorable reviews by the government and a local NGO.

Safeguard-Related Institutional Development Initiatives in Other Projects

Many Bank Category A and B projects contain specific provisions for improving the manner and mechanisms of safeguard undertaking throughout the life of the project. Working with the borrowers, Bank staff assist in defining administrative structures and procedures to ensure that continued safeguard review, assessments, and corrective actions take place. These initiatives often are found under the components of “project management” and are difficult to identify from the component descriptions. However, experience has shown they are critically important for improving borrower performance.

a. World Bank, *Biodiversity in World Bank Projects: A Portfolio Review*, Environment Department Paper 59 (Washington, D.C., 1998).

b. John Redwood III, Robert Robelus, and Tonje Vetleseter, *Natural Resource Management Portfolio Review*, Environment Department Paper 58 (Washington, D.C.: World Bank, 1998).

c. *The Colombo Story: Piloting Environmental Change in Sri Lanka* (Washington, D.C.: World Bank, 1999).

summarized below. Although the timeframe does not permit analysis of the extent to which these recommendations have been followed, several of the trends and innovations highlighted in the present report reflect that many of the recommendations are being incorporated into new projects.

1. *Clearly define what is to be strengthened* and clarify roles and responsibilities, which are often a function of broader policies and strategies. Resist the temptation to “do everything”; instead, identify priorities and phase in action accordingly.

2. *Ensure government ownership* and full commitment; national leaders must lead projects/change.

3. *Change the type of technical assistance (TA) offered.* TA is only successful when skills and technical expertise are absorbed by beneficiary institutions. Each effort must be country-specific, so the Bank must improve its knowledge about specific national institutions, making greater use of resident missions and local expertise. Outside consulting firms should be avoided.

Box 5.7 The Nicaragua Social Fund and Implementation of an Effective Environmental Unit: Challenges in Institutional Development

The Task Manager of the Nicaragua Social Fund spent three years with the Fund Director and senior management discussing, promoting, and urging them to “fully support” the implementation of an effective environmental unit. Resources from several donors were made available in 1996 to hire a consultant who worked with the Fund for six months on a comprehensive needs assessment to improve environmental management, screening, and auditing of subprojects. The Bank and the InterAmerican Development Bank accepted the recommendations and endorsed measures to make these matters an integral part of the Fund operations. The Fund management felt these matters were imposed on them and that they were a waste of time and effort. The Bank continued to press, expressing its concern in all supervision documents. The prevailing attitude within Fund management was of resistance and opposition even though they stated they supported these measures. In the words of Bank staff, the supervision mission was “very hard” on the Fund in early 1998, and by all accounts the unit is now functioning adequately. This long process has made a positive contribution to safeguard implementation in the executing agency.

4. *Recognize that ID requires a long-term, mutual commitment and that the Bank’s project cycle must adapt.* New lending approaches should be more flexible, making the project a more process-oriented effort that supports longer-term programs and pilot initiatives. The new Adaptable Lending system is a step in right direction.

5. *Focus on the beginning of the project cycle, before implementation, to understand the institutions and assess what they need.*

6. *Drastically change incentives for task managers to pursue a long-term process with environmental institutions.* Senior management needs to understand the perverse effect of the current incentive system on institutional development.

7. *Keep the long-term purpose of environmental ID in mind*—that is, seek to strengthen environmental management as a whole, not just in isolated agencies. This, in turn, underlines the need to create partnerships with, and cooperation among, the private sector, universities, NGOs, and key government ministries.

8. *Complement stand-alone environmental ID projects with investment projects.*

9. *Continue the current trend toward decentralization, partnerships, and increased participation by local stakeholders.*

10. *Keep projects flexible and as simple as possible; moderate expectations.*

5.6 Conclusions

Considerable progress has been made in the area of building internal and external capacity on environmental assessment. Both internal and external training courses have been developed and delivered to address EA specifically and the broader safeguard policies. Course delivery began with WBI, then moved to the Regions, and is now being undertaken at both levels. During FY99–00 the two worked together on a new safeguards curriculum to be delivered at headquarters, in field offices, and through distance learning techniques. Training organized by the Regions for environmental specialists, agency staff, and others was more systematic in some Regions than others, but all Regions carried out some internal and external training activities.

At the same time, new environmental ID projects have been implemented over the period under review, with many positive results and remaining challenges. The Bank continues to support smaller ID initiatives throughout its portfolio as part of project components or subcomponents.

In addition to the activities outlined above, the Bank has produced guides and toolkits to help staff interpret and apply environmental and social safeguards policy. This material is covered in the next chapter, as it was designed primarily to improve the quality and effectiveness of the EA process. Nonetheless, such publications should also be seen as a form of capacity building, given that they serve to shore up the ability of Bank staff and counterparts to carry out environmental assessment.

Box 5.8 Bank Institutional Development through Lasting Partnerships—Improving Safeguard Performance in the Thailand Second Gas Project

The Second Gas Transmission project in Thailand sought to minimize environmental risks by setting in place an environmental monitoring system and using state-of-the-art technology during construction. Moreover, the project was successful in establishing a set of environmental standards for the Gulf of Thailand. An extremely effective dialogue between the Bank and the Borrowing agency was instrumental in leading to these important achievements. Six factors seem to have contributed to this highly effective dialogue.

Long-term involvement in a sequence of related projects. The Second Gas Transmission project is the third in a string of gas-sector-related projects in Thailand since 1980. This represented more than 12 years experience of Bank staff working in the gas sector in Thailand.

Good sector work and Bank familiarity with the country context. The Bank had previously carried out a sector study that provided a good overview of energy needs and options for Thailand. The Bank staff acquired knowledge and experience in this sector with the same borrowing agency (by now 14 years). Good Bank understanding of issues led to sound and credible Bank advice. The Thai officials tended to be flexible in considering Bank advice regarding many important energy issues.

Country context approach. The advice and support of the Bank and the agreements reached were based on the country context called for—what was happening in the energy sector in Thailand, what were the needs, and what were the opportunities. Agreements were not driven by “project conditionality”—nor was there an attempt to directly impose conditions that met Bank OPs or other Bank requirements. When there were unresolved issues between the Bank staff and Thai officials, these areas of work were excluded. One such issue, nuclear energy development, remained a point of disagreement between the Bank and the Thais. The Bank went on record to say, “we agreed to disagree.” The Bank did not see this as a viable alternative and instead opted to promote gas.

Identification of strategic areas of intervention. Studies formed the basis for discussions that led to the identification of important areas of work where the Bank could assist. Objectives were defined and incorporated into various projects. This was the process used to identify the environmental issues to be addressed. There were many meetings with the Ministry of the Environment to identify the weak areas, and to define a strategy for Bank involvement. Having decided what the needs were, different issues were incorporated into different projects. This strategic approach resulted in several mutual benefits. For example, over a period of time, the number of staff in the PPT Environmental Unit rose from 2 in the early 1980s to 20 well-qualified staff by the late 1990s. PTT has now achieved a strong capacity to address environmental issues, including monitoring, assessment, and reporting.

Definition of clear reachable targets. Objectives and targets addressed important constraints but were clear and feasible. One of the most complex environmental issues addressed in this cluster string of energy projects was the development of environmental standards in the Gulf of Thailand. Prior to this project, exploration and production companies used different standards—some strict while others used less stringent standards. Under the Bangkok Gas Transmission project, the Bank initiated a study to assess and unify environmental standards and regulations with additional funding (US\$300,000) from the Asian Development Bank. The Second Gas Transmission project, with input from the energy and exploration industry, implemented these recommendations in setting environmental standards.

Quality and continuity of staff. The task manager and environmental specialists remained unchanged through several energy sector projects in the country. This continuity led to good working relations among Thais and Bank management, which proved very important in appraisal and supervision. The Bank’s experienced and knowledgeable environmental specialist was able to find practical solutions to key issues. The task manager obviously developed excellent working relationships and trust with the Borrower and was seen as a stable presence throughout the last decade.

Notes

1. In their 1999 study "The Evolution of Environmental Assessment in the World Bank: From Approval to Results," Robert Goodland and Jean-Roger Mercier begin with the premise that political will, resources, and capacity are "the three currently weakest links in the whole EA process." Other studies tend to confirm this view. (See, for example, Margulis and Vetleseter 1999.)

2. Guides, handbooks, and *Sourcebook Updates* are covered in detail in chapter 6.

3. Mohammed Bekhechi and Abdelwahah Christoph, *Environmental Loan Covenants*, 1999 (draft). See also, Mohammed Abdelwahah Bekhechi, "Some Observations Regarding Environmental Covenants and Conditionality in World Bank Lending Activities," *Max Planck UNYB*, New York, 1999.

4. World Bank, "Towards Sustainable Development: An Environmental Strategy for the Middle East and North Africa," MNA Technical Paper 13601 (Washington, D.C.: World Bank, Feb. 17, 1995).

5. METAP countries in the MNA Region are Algeria, Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia, and West Bank and Gaza. Five other countries are also served by METAP. Support for METAP comes from the Bank, the UNDP, the European Commission, European Investment Bank, and Swiss Development Cooperation.

6. Jean-Roger Mercier, "Environmental Assessment and Review in Sub-Saharan Africa," ESD/Africa Technical Department, Building Blocks for Development Series Paper 7 (Washington, D.C.: World Bank, Sept. 1995).

7. Lisa Segnestam, "Environmental Performance Indicators: A Second Edition Note," Environment Department Paper 71 (Washington, D.C.: World Bank, 1999).

8. Sergio Margulis and Tonje Vetleseter, "Environmental Capacity Building: A Review of the World Bank's Portfolio," Environment Department Paper 68, Pollution Management Series (Washington, D.C.: World Bank, 1999).

Chapter 6 Highlights

NEW KNOWLEDGE AND INFORMATION SOURCES

- EA Sourcebook Updates
- Guides, Handbooks, and Toolkits

A growing body of guides, guidelines, and other similar tools was produced during the past four years to assist Bank staff and counterparts in the EA/safeguard process. The Regions have also developed project-oriented guidance designed primarily for staff and country counterparts engaged in implementing Bank safeguard policies. At the same time, Regional Safeguard units were formulating improved procedures to review and document the safeguard review process throughout the project life cycle.

KNOWLEDGE MANAGEMENT

The Bank has developed several web sites on specific EA-related topics, such as social assessment and pollution management, to enhance staff knowledge of the EA process. These serve as general reference for Bank staff in safeguard capacities as well as for operational staff. Overall, this process has been accelerating over the last several years and represents a tremendous opportunity for technical support.

Expanding Safeguard Information and Knowledge

This chapter examines new resources and tools created since the second Environmental Assessment (EA) Report that are designed to improve EA quality in the Bank and client countries. The Bank also embarked on an ambitious effort to consolidate much of its technical, operational, and lessons-learned material in a central repository, the World Bank Knowledge Management (KM) Web Sites, accessible to both internal and external users.

6.1 New Knowledge and Information Sources

Improving the quality of EA depends heavily on strengthening the understanding of Bank staff of its importance and ensuring that they have sufficient knowledge to undertake it. A growing body of guides, guidelines, and other similar tools was produced during the past four years to assist Bank staff and counterparts in the EA/safeguard process. The Regions have also developed project-oriented guidance designed primarily for staff and country counterparts engaged in implementing Bank safeguard policies. At the same time, Regional Safeguard units were formulating improved procedures to review and document the safeguard review process throughout the project life cycle. And, as recommended by EA-II, the Environment Department has continued to produce *EA Sourcebook Updates*.

6.1.1 EA Sourcebook Updates

The Environment Department published *EA Sourcebook Updates* in areas pinpointed in EA-2 as those in which staff knowledge required shoring up. The *Sourcebook Update* is a 10- or 12-page “how-to” mini-manual that includes country and project examples to illustrate the technical approach developed in the text; most also include a brief set of references providing further guidance. Between FY96 and FY99, 11 *Updates* were produced; Box 6.1 summarizes the issues covered.

Box 6.1 Environmental Assessment Sourcebook Updates (FY96 through FY99)

***Challenges of Managing the EA Process (1996)*, No. 16**

Successful implementation of environmental assessments must address a number of challenges for those managing EAs and preparing EA reports, particularly in countries with limited EA experience. This update identifies the most important of these challenges (including selection and management of EA Teams, impact identification and prediction, evaluation of impact significance, and information presentation) and suggests approaches for addressing them.

***Analysis of Alternatives in Environmental Assessment (1996)*, No. 17**

This Update outlines how analysis of alternatives can be undertaken at different levels of development planning, through project-specific, sectoral, and regional EAs. It provides an exhaustive review of decisionmaking methods for comparative assessment of alternatives, and provides broad guidance on comparative assessment and an introduction to systematic methods for comparing alternatives.

***Health Aspects of Environmental Assessment (1997)*, No. 18**

Many development projects affect human health. In some instances, projects with obvious benefits may also have unintentional adverse health impacts. For example, water supply projects will often reduce the occurrence of diseases such as diarrhea and cholera, but may also create conditions favorable to the proliferation of disease vectors such as mosquitoes or water snails. Road projects may improve access to health services but may also increase the exposure of local communities to sexually transmitted diseases or dramatically increase traffic-related injuries and deaths. In many of these instances, the environmental health dimensions of projects are not systemically taken into account. This Update provides guidance to task managers and borrowers on systematically integrating public health and safety concerns into EA. Early screening procedures are described for risks to health and measures identified to adequately address these risks during project preparation, implementation, and beyond.

***Assessing the Environmental Impact of Urban Development (1997)*, No. 19**

Cities in less-developed countries are growing at unprecedented rates. Municipal authorities are struggling to keep up with the pace of urbanization and increasing demands for infrastructure and services such as water and sanitation, roads, schools, power systems, and waste collection. In many cities, the demand far outstrips the capacity to supply. The urbanization process, and the urban investments resulting from it, tend to generate many complex environmental problems. This Update discusses how EA can contribute to improved urban development and environmental planning, at the project and policy level. It also introduces analytical tools to support such planning.

***Biodiversity and Environmental Assessment (1997)*, No. 20**

Many sectors of national economies and local communities depend upon the diversity of biological resources and the functions they protect and sustain. The irreversibility of species extinction and loss of genetic strains, natural habitats, and ecosystems through degradation and over-exploration compromise options for present and future generations. Accordingly, the functions and services of natural habitats and ecosystems should be systematically assessed and evaluated as part of the cost/benefit analysis of programs and projects. This document provides an introduction to the policy framework for protection or enhancement of biodiversity, the relevant project contexts where biodiversity may be adversely affected, and guidelines for integrating biodiversity concerns into EA.

***Environmental Hazard and Risk Assessment (1997)*, No. 21**

Many types of development supported by the Bank involve environmental risk. For example, dam construction or remedial action to clean up pollution may pose risks to human health or the natural environment. Under such conditions, the potential environmental impacts are often subject to uncertainties. Where these uncertainties are significant, for example in the case of a potential release of toxic material in a densely populated area, a quantitative assessment of hazards and risks may be appropriate. The techniques of hazard and risk assessment have been developed to help determine the degree of uncertainty associated with development activities. These techniques may be used independently from or in support of EA and environmental auditing, which they complement. This Update provides an introduction to hazard and risk assessment, outlines some available methodologies, and discusses the use of these techniques in assessing environmental liability.

Environmental Assessment of Mining Projects (1998), No. 22

Expansion within the mining and metallurgical sector is central to the development and economic growth of many developing countries. The products of the sector are not only essential to many industrial processes and for construction, but also are often a valuable source of foreign exchange earnings. However, mining operations frequently involve considerable environmental disturbance that can extend well beyond the area of mining development. The impacts of mining-related activities commence with exploration, extend through extraction and processing of minerals, and may continue post-closure of the operation, with the nature and extent of impacts varying throughout the stages of project implementation. This Update provides an introduction to the environmental issues associated with mining activities, the relevant contexts in which the Bank might be involved with mining projects, and the extent to which environmental issues should be addressed by private- or public-sector organizations seeking Bank Group support for mining projects.

Economic Analysis and Environmental Assessment (1998), No. 23

Successful economic development depends on the rational use of natural resources and on reducing as far as possible the adverse environmental impacts of development projects. EA is a primary tool for achieving this objective, by inserting critical environmental information into the process of project identification, preparation, and implementation. Economic analysis, by comparison, is employed to determine if the overall economic benefits of a proposed project exceed its costs, and to help design the project in a way that produces a solid economic rate of return. Adverse environmental impacts are part of the costs of a project, and positive environmental impacts are part of its benefits. Consideration of environmental impacts therefore should be integrated with the other aspects of the project in the economic analysis to the extent possible. This Update discusses the relationship of EA and economic analysis and gives guidance on how economic analysis might incorporate environmental costs and benefits.

Environmental Assessment of Social Fund Projects (1999), No. 24

In many developing countries, Social Funds (SFs) have become a major source of development finance at the community level. Set up as financial intermediaries to channel resources from international donors to small, poor, and vulnerable communities. SFs finance up to several thousand subprojects annually, such as school and health clinics, village water supply and sanitation, rural roads, rural electrification, and small irrigation works. Subproject proposals are submitted by local communities or their representatives and evaluated against specific criteria. Many subprojects financed by SFs raise only minor or no environmental issues. However, experience shows that SFs need to establish simple environmental assessment procedures to avoid causing adverse harm to the environment and human health. This Update discusses why such procedures are needed and how they might be integrated into the Social Fund Project Cycle.

Environmental Management Plans (1999), No. 25

Prediction of the potential adverse environmental and social impacts arising from development interventions is at the technical heart of the EA process. An equally essential element of this process is to develop measures to eliminate, offset, or reduce impacts to acceptable levels during implementation and operation of projects. The integration of such measures into project implementation and operation is supported by clearly defining the environmental requirements within an environmental management plan (EMP). EMPs provide an essential link between the impacts predicted and mitigation measures specified within the EA report and implementation and operational activities. They outline the anticipated environmental impacts of projects, the measures to be undertaken to mitigate these impacts, responsibilities for mitigation, time-scales, costs of mitigation, and sources of funding. This Update provides an introduction to mitigation measures and EMPs, identifies the policy framework for preparing EMPs for Bank-financed activities, outlines the main components of EMPs, and discusses means to ensure that commitments within the EMP are carried through to implementation and operation.

Public Consultation and Environmental Assessment (1999), No. 26

This Update describes good practice in the planning, implementation, and monitoring of public consultation in the EA process. It focuses on thinking strategically about public consultation in order to more efficiently deliver improved project sustainability and protect the interests of affected communities, especially the poor and vulnerable.

6.1.2 Guidance and Toolkits

Some examples of recent contributions to the body of knowledge on EA/safeguards include:

- **Environment Department.** *Pollution Prevention and Abatement Handbook (1998)*
The Handbook, compiled by environment staff from the Bank and the International Finance Corporation, replaces the 1988 *Environmental Guidelines*. This lengthy document contains a wealth of guidance information, including a step-by-step guide to the EA process. The handbook first addresses key policy lessons, and then moves into extensive discussions of policy implementation, covering: basic principles, prioritization, air and water quality management, industrial management, financing environment, and global and transboundary issues.
- **Middle East and North Africa (MNA) Region.** *A Guide for the Preparation and Review of Environmental Assessment Report (January 2000)*
The guide seeks to facilitate and improve a key element of the EA process—the commissioning and reviewing of EA studies and reports—and is targeted to two audiences: Bank task teams and client-country counterparts in the Middle East and North Africa. The guide was formulated to provide the basic information and understanding needed to *plan*, *commission* (including preparation of terms of reference), and *review* an EA study or report. The first section focuses on preparation of the EA report, including environmental management plans for seven sectors covered by investment operations in the MNA region, and for project-specific and sector-specific EA reports. The second section covers the review of EA reports by the environment cluster team in MNA or environment agencies in client countries. The two sections complement each other, and should enable clients, operational staff, and consultants to address the minimum EA requirements for the preparation and review of EA reports.
- **Africa Region.** *The Environmental and Social Review of World-Bank Financed Activities in Africa: A Survival Kit for Operational Staff* (In process)

A step-by-step guide to understanding and implementing environmental and social safeguard policies, this guide defines EA as a framework for (a) diagnosing the present situation, (b) predicting the likely evolution and impacts of the project as submitted, and (c) recommending measures to prevent or mitigate the most severe impacts. The document covers each stage of the EA process—from screening at the Project Concept Document preparation stage to preparing the environmental aspects section of the Implementation Completion Report—clarifying roles and responsibilities of the Bank and the borrower and explaining how to proceed for each step to be taken. A second section covers environmental management plans (EMPs), defined as “the operational expression of the EA process.” The section explains how to prepare and apply an EMP, offering help to government agencies and the public to better understand their responsibilities for executing the plan, including monitoring and evaluation. “Ultimately,” the document points out, “the success of EA depends on the ability of professionals in [the Region] not only to understand EA procedures, but also to conduct EA studies and interpret the Bank’s environmental assessment requirements.”

- **Latin America and Caribbean (LAC) Region.** *Guidelines for Consistent Application of Social and Environmental Safeguard Policies* (In process)

This set of guidelines was prepared by the Quality Assurance Team of LAC’s Environmentally and Socially Sustainable Development unit in response to problems such as delays, higher transaction costs, and criticism from stakeholders when EA is implemented improperly. Based on the premise that EA offers too much room for interpretation and personal judgment, the guidelines are intended to clarify EA terminology and requirements, and thus contribute to a more consistent and effective application at all stages of the process. The tool consists mainly of a series of matrices covering different sectors (water, power, and so forth) that demonstrate how to assess any given project in light of environmental and social safeguards.

- **Latin America and Caribbean Region. *Environmental Guidelines for Social Funds*¹**

These guidelines serve as an introduction to the incorporation of environmental considerations into World Bank Social Funds in Latin America, the Caribbean, and other regions. The target audience is management staff and technical staff of social funds, as well as World Bank task managers of these projects. It serves as a “jumping off” point for staff in the establishment and implementation of environmental assessment procedures.

- ***Biodiversity and Environmental Assessment Toolkit***

Given the vital importance of systematically assessing and evaluating the functions and services of natural habitats as part of cost/benefit analysis of programs and projects, there is an increasingly urgent need for environmental assessment to pull its weight in helping to prevent biodiversity loss. The objectives of the toolkit are to: (1) inform EA practitioners, task team leaders, executing agencies, and other project stakeholders about the costs and benefits of effective treatment of biodiversity in project design, acceptance, and long-term sustainability; (2) outline pragmatic and cost-effective approaches and methods to achieve effective treatment of biodiversity in EA and for a range of project investment types and scales; and (3) assess the implications of the above for the management of EA in the World Bank.

- ***Roads and the Environment: A Handbook***

Although roads often bring significant economic and social benefits, they can also have substantial negative impacts on communities and the natural environment.² The Handbook was produced in response to growing awareness of these potentially negative impacts, and the consequent demand for improved knowledge on how to avoid them. It was developed for road agency managers; road engineers, planners, and contractors; and environmental specialists, community groups, academics, and development organizations. The Handbook consists of two parts; the first provides an overview of the EA process in the context of road planning and construction and describes the steps to

be taken to carry out environmental assessment in that context. The second part offers a more detailed discussion of each of the major factors involved in environmental assessment of road projects, including impact mitigation.

- ***Setting Priorities for Environmental Management: An Application to the Mining Sector in Bolivia***

Managing environmental problems constitutes an important element of the quality of environmental actions, and is thus one of the important factors ranked in environmental assessment. This study grew out of work done by the Bank with Bolivia’s state mining corporation, COMIBOL, during a period in which COMIBOL was engaged in closing some mines and transferring others to the private sector.³ The company thus had to address environmental damage resulting from past mining activities—such as microbiological contamination of drinking water, lead, airborne dust, and possibly cadmium and arsenic in the environment. The study offers guidance, based on the Bolivian experience, in the areas of (a) ranking sites for remediation (given limited resources, where should project efforts be focused?), and (b) selecting priority investments and activities for environmental management. It sets out a series of steps that take into consideration human health hazards, economic infrastructure, ecosystems, and the need to attract private investment, and suggests criteria to be used in deciding how to manage each site requiring remediation. The study includes an extensive set of annexes that could be used by other, similar projects in assisting national authorities to manage environmental/safeguard aspects of mining sites. Thus it is a valuable companion to *EA Sourcebook Update 22*, covering EA in mining projects.

- ***Resettlement and Rehabilitation Guidebook (also available on CD-ROM and the Bank’s web site)***

This important guidebook was developed jointly by staff from the social and environment groups and the World Bank Institute to provide guidance on planning and implementing resettlement programs. Organized around

the actions required at each stage of the World Bank's project cycle, it is designed to permit task team leaders, project staff, consultants, trainers, and nongovernmental organizations (NGOs) to understand the requirements for a successful resettlement program. It provides a framework for preparing, implementing, and monitoring resettlement action plans, the main vehicle for implementing safeguard policy on involuntary resettlement.

6.2 Knowledge Management

The World Bank's strategy for knowledge sharing, begun in 1997, has been explicitly external from the outset. Its objective is to make know-how and experience accessible not only internally to World Bank staff, but also externally to clients, partners, and stakeholders around the world, and in the process, to reach many who currently have little or no access to the organization's expertise.

Knowledge management (KM) has been accelerating through eight principal means, including: linking the community of practitioners; developing a helpdesk/advisory services and a directory of expertise; making development statistics available on-line; collecting and making accessible operational information; providing a dialogue space in electronic form to permit internal and external parties to express their views, exchange information, and get answers; and creating both internal and external access to information.

The World Bank web sites now constitute a vast repository of information on many subjects, including environmental assessment/safeguards. Some of the sites that serve as capacity-building tools for Bank staff or external readers in this field are mentioned below.

6.2.1 Social Assessment Methods Web Site Node

A visit to the external Bank web site will provide the viewer with numerous options. The four main query themes include *What We Do*; *Resources*; *Partners*; and *About Us*. From the Resources query heading, the viewer can choose any of 23 *Topics and Sectors*, several of which are pertinent for safeguard-related information. The two key sectors are *Environment* and *Social Development*. The Social Development gateway will allow access to six cat-

egories; *Overview, Topics and Regions, Resources, Projects and Policies, News and Events, and Partnerships*. There is also a pop-up window—*Special Features*—that contains information of recent vintage or of particular importance that the KM managers wish to highlight.

One of the 15 *Topics and Regions* categories, Social Assessment, drops into *Key Concepts, Policies, Methods, FAQs, Case Studies, and External Links*. Selecting the Methods portal takes the viewer into the *Social Assessment Methods* portal, a rich collection of information, guidance, and recommended procedures. Box 6.2 displays the extensive listing and supportive material in this portal. An example of the useful information contained in each subject tool site is illustrated in Box 6.3.

Box 6.2 Contents of the Social Assessment Methods Web Site

Analytical Tools

- Stakeholder Analysis
- Gender Analysis

Community-based Methods

- Participatory Rural Appraisal
- The SARAR process

Consultation Methods

- Beneficiary Assessment

Observation and Interview Tools

- Participant Observation
- Focus Group Meetings
- Semi-structured Interviews
- Village Meetings
- Secondary Data Review

Participatory Methods

- Role Playing
- Mapping
- Wealth Ranking
- Needs Assessment Exercise
- Access to Resources
- Pocket Charts
- Analysis of Tasks
- Tree Diagrams

Workshop-based Methods

- Objectives-Oriented Project Planning (ZOPP)
- TeamUp

Box 6.3 Contents of the Social Development Web Site “Analytical Tools: Stakeholder Analysis”

Stakeholder Analysis

Stakeholder analysis is a strategic entry point for social assessment and participatory work, since it gets at answering questions such as: who are the key stakeholders? what are their interests in the project or policy? what are the power differentials between them? and what relative influence do they have on the operation? Systematic analysis of this information enables the identification of institutions and relations that, if ignored, can have negative influence on projects and policies or, if considered, can be built upon to strengthen projects and policies.

A Four-Step Process

Step 1: Identifying key stakeholders

The purpose of this first step is to narrow the field of stakeholders from all those who potentially affect or are affected by the proposed project or program into the key stakeholders whose involvement will be sought. This purpose can be served by a simple list generated by answering the following types of questions. Who are potential beneficiaries? Who might be adversely impacted? Have vulnerable groups been identified? Have supporters and opponents been identified? What are the relationships among stakeholders?

When answering these questions, consider the Borrower, beneficiary, affected groups, other interested groups, and the Bank to be categories of stakeholders, and remember that stakeholders can be individuals, communities, social groups, or organizations. The list that results from this exercise can be put into a series of stakeholder tables that are used to organize information about interests, power, influence, and involvement of each key stakeholder or group.

Step 2: Determining stakeholder interests

Some stakeholder interests are more obvious than others. It is important to remember that many interests are difficult to define, especially if they are “hidden,” multiple, or in contradiction with the stated aims or objectives of the organization or individual. To focus the inquiry, remember to relate each stakeholder to the proposed objectives and activities of the specific project or policy. The following questions should guide the inquiry into the interests of each key stakeholder or group: What are the stakeholder’s expectations of the policy/project? What benefits are there likely to be for stakeholders? What stakeholder interests conflict with project/policy goals? What resources might the stakeholder be able and willing to mobilize? In some cases, these questions can be answered through review of secondary information. Often, however, some degree of social analysis or participatory consultation will be necessary to determine the answers.

Step 3: Determining stakeholder power and influence

Power and influence refer to the effect stakeholders can have on a project or policy, for example to control what decisions are made or to facilitate or hinder its implementation. Stakeholders’ interrelationships are as critical to consider as their individual relationship to the project or policy. The following questions are a good starting place for organizing information about social, economic, political and legal status, authority, control, and relative negotiating positions among stakeholders: What are the relationships between the various stakeholders? Who has power over whom? Who is dependent on whom? Which stakeholders are organized? How can that organization be influenced or built upon? Who has control over resources? Who has control of information? The answers to these questions reveal the kind of support that is needed for a given project or policy and which stakeholders are in the best position to provide that support.

Step 4: Formulating a stakeholder participation strategy

The plan for stakeholder participation should take into account interests, influence, and power, as well as level and timing of participatory activities. These three factors can be considered in a series of three stakeholder tables.

6.2.2 Pollution Management Discussion Notes

Geared at both an internal and external audience, “Pollution Management Discussion Notes” are part of the knowledge management effort of the Environment family. They are aimed at fostering professional discussion, disseminating lessons learned from Bank operations, and transferring best practices in pollution management. Recent contributions to the “Discussion Notes” (Box 6.4) series cover such issues as the impact of foreign direct investment on the environment and comparative risk assessment in developing countries—both of which are very pertinent to the process of environmental and social assessment.

6.2.3 EMPower Info (<http://www.worldbank.org/html/fpd/em/emhome.htm>)

This collaborative program, coordinated by the Bank, supports the integration of environmental concerns into project and power-system planning in developing countries. EMPower Info provides a broad range of information about the EA process, various energy sources and their environmental impacts, power conversion and pollution mitigation technologies, and standards that, together, assist policymakers to incorporate environmental issues into their decisionmaking. Among the higher-level themes addressed are:

- *EA process*: Broad overview (at the sectoral, regional, or project level) of how to assess the impacts of alternative power system expansion options. Also provides details on project definition, environmental impacts, methods and tools, standards and guidelines, and mitigation measures.
- *Environmental standards and guidelines*: An overview of country-specific environmental standards and guidelines used in the power sector.
- *EA methods and tools*: Information on various models that may be used in specific steps of the EA process.

6.2.4 Business Partners for Development—Natural Resources Cluster (www.bpd-naturalresources.org)

Business Partners for Development (BPD) is a program designed to study, support and promote the

creative involvement of businesses as partners alongside governments and civil society for the development of communities around the world. BPD is an informal network of private companies, central and municipal governments, NGOs, and donor agencies. The Natural Resources Cluster (NRC) is one of five BPD focus groups that is co-convened by CARE International, PB Amoco, and the World Bank to focus on projects operated by oil, gas, and mining corporations.

The Natural Resources Cluster seeks to enhance the role of oil, gas, and mining corporations in development. Its aim is to produce practical examples, based on ‘focus’ projects around the world, of how three-way partnerships involving companies, government authorities, and civil society organizations can be a more effective means of reducing social risks and promoting community development. Working in different countries and at different stages of project development, the Natural Resources Cluster is systematically testing the performance of tri-sector partnerships in terms of both business benefit and development impact.

Specifically, the NRC is exploring the role of tri-sector partnerships in providing answers to the unresolved social management and sustainable development challenges confronting nonrenewable natural resource (oil, gas, and mining) projects. For example, the initiative looks for creative ways in which these partnerships can:

- Promote more equitable and visible economic development in the region of operation
- ‘Pool’ resources, skills and experience to increase the quality, reach and sustainability of local public services—health, education, water supply, housing water disposal, and so forth
- Encourage local business activity and leave an economic legacy independent of the oil, gas, or mining business
- Improve the quality of resettlement and income restoration programs
- Deliver effective community development in situations of violent conflict
- Overcome weak capacities in civil society and local government.

The NRC also promotes “good practices” relevant to tri-sector partnerships in the oil, gas, and

mining sectors and undertakes to organize practitioner study visits and theme-based workshops to share knowledge; develop and deliver training modules to help build and maintain effective partnerships; commission research and synthesize existing knowledge on priority issues emerging from the focus projects; hold national workshops to promote the scaling-up of good practice; and disseminate ideas, learning, and conclusions to a wide audience.

6.2.5 Energy Sector Management Assistance Program (ESMAP) <http://www.worldbank.org/html/fpd/esmap/>)

The Energy Sector Management Assistance Program (ESMAP) is a global technical assistance program sponsored by the World Bank and the United Nations Development Programme (UNDP) and managed by the World Bank. ESMAP focuses on the role of energy in economic development with the objective of contributing to poverty alleviation and economic development, improving living conditions, and preserving the environment in developing countries and economies in transition. ESMAP channels free policy advice and other technical assistance to governments, with a focus on three priority areas: (1) market-oriented energy sector reform and restructuring, (2) access to efficient and affordable energy, and (3) environmentally sustainable energy production, transportation, distribution, and use. ESMAP works along six main themes:

- Assisting with energy sector policy and restructuring
- Promoting energy access in rural and urban areas, and in underserved households and businesses
- Analyzing local, regional, and global energy-environment linkages
- Mainstreaming renewable energy technologies
- Encouraging more efficient energy practices
- Facilitating international energy trade.

ESMAP activities involve partnerships with all stakeholders in the energy sector: governments, private sector, research institutions, and nongovernmental organizations. ESMAP activities are managed by World Bank energy specialists.

ESMAP concentrates on issues not yet mainstreamed in the operations of bilateral or multilateral development institutions or in the private sector. It aims at designing innovative approaches to address energy issues.

6.2.6 Environmental Assessment CD-ROM

The World Bank's EA Knowledge Management Team produced this tool in 1999. It contains a diverse collection of information including EA Updates, World Bank Policies, Technical Reports, papers, sample terms of reference, conference proceedings, and lists of useful web sites. The CD-ROM is distributed with a hard copy binder that is used in the Region's safeguard training program, and is designed to serve as a handy, off-the-shelf computer learning and guidance toolkit.

6.2.7 Information Management Tools: Lotus Notes Tracking System

The East Asia Social and Environmental Safeguard (EASES) team has evaluated several approaches to improving both the type and consistency of safeguard information throughout the life of each project in the East Asia and Pacific regional portfolio. To this end, a Lotus Notes-based "Environmental Assessment Report—Quality Assessment Worksheet" is being tested. This new tool incorporates safeguards benchmark attributes used in a pilot Philippines country portfolio study that can be filled in or modified at any time. The utility of this tool is that it can be maintained as an active, iterative product at both the country and headquarters levels. It is considered a self-assessment tool, because the intention is that the task team maintain its information content. EASES staff would input the initial information, and on a regular, bi-annual basis request updates from a project environmental contact and/or the task team leader. (See chapter 7 for more information on this initiative.)

6.3 Conclusions

The guides, handbooks, and other material prepared by different Bank units since the publication of EA-II represent valuable contributions toward improving the quality of environmental

Box 6.4 Pollution Management “In Focus” Discussion Notes

Foreign Direct Investment: Boon or Bane for the Environment, June 2000

Foreign direct investment (FDI) can be a significant driving force for sustainable environmental management in developing countries. Its environmental effects depend on the investor, the sector, and the country context, especially the policy and regulatory framework. Many multinational firms are concerned about their reputation, prefer regulatory stability and predictability, and have incentives for efficient production. The longer-term nature of FDI and the potential congruence of investors' and host countries' interests can offer opportunities for many environmental benefits from this form of investment.

Comparative Risk Assessment in Developing Countries, January 2000

Comparative risk assessment (CRA) has been increasingly used around the world as a useful environmental planning tool. It allows policymakers and managers to focus institutional and financial resources on specific high-priority environmental issues at the city, regional, and national levels and even across national boundaries. CRA applications have helped develop local environmental management and planning capacity and increase public awareness of environmental concerns and public participation in dealing with these issues. This note looks at the application and results of CRA in developing nations around the world. Authors: Susan E. Keane and Jeannie Cho.

Environmental Challenges in Fuel Use, December 1999

Among the potential effects of fossil fuel combustion are urban air pollution, acid rain, and changes in global climate. A study of six cities in developing countries and of an industrial area of Poland examined how various fuels and sources contribute to health and other environmental damages and analyzed abatement strategies for reducing these damages. Substantial differences were found between cost-effective strategies for mitigating local and global environmental effects. The study illustrates the difficulty of devising efficient policies, given the complex relationships among pollution sources, control options, and environmental impacts. This real-world complexity calls for a skillful mix of policy instruments built on rigorous analysis. Authors: Kseniya Lvovsky and Gordon Hughes.

Environmental Funds—The Chinese Experience, November 1999

Environmental funds have become popular in developing and transition economies as a way of channeling money into environmental programs when access to financing for such activities is limited. In countries where state-owned enterprises are still important, environmental funds tend to focus on pollution abatement in that sector. Despite their appeal, environmental funds do not solve underlying problems; they are most useful as transitional measures that provide resources for some environmental improvement while stronger environmental policies and regulatory structure are being put in place. Chinese and World Bank experience bears out this experience.

Environmental Implications of Privatization, September 1999

Privatization fosters economic efficiency and contributes to governments' fiscal health by relieving them of burdens of state ownership. Besides these economic benefits, privatization also offers an opportunity for

environmental improvements. In order to use this opportunity, environmental considerations must be integrated into privatization transactions and proper environmental regulations, incentives, and enforcement must be in place. This note looks at the prerequisites for environmentally friendly privatizations on the basis of lessons from real world experience. Author: Magda Lovei.

Indoor Air Pollution, August 1999

Outdoor air pollution in developing-country cities is difficult to overlook. Indoor air pollution caused by burning such traditional fuels as wood, crop residues, and dung is less evident, yet it is responsible for a significant part of country and global disease burdens. The main groups affected are poor women and children in rural areas and urban slums as they go about their daily activities. This note reviews the evidence on health effects from indoor air pollution in developing countries, looking in detail at India. It outlines possible solutions and concludes that the only feasible long-term remedy is improved access to cleaner modern energy. Author: Kirk R. Smith.

Better Environmental Decisionmaking—The DSS/IPC, March 1999

Among the tools available to decisionmakers for assessing environmental problems and arriving at cost-effective solutions is the Decision Support System for Integrated Pollution Control. This instrument permits rapid estimations of the extent and impacts of pollution in a given situation and provides support for decisions on pollution management. Its use of standard emissions factors, simple dispersion models, and cost functions enables analysts to arrive at reasonable estimates even when field data are inadequate. By providing information about pollution problems and alternative abatement measures, the system can foster participation and consensus building. Author: Kseniya Lvovsky.

Comparative Risk Assessment, February 1999

In an imperfect world of finite resources, decisionmakers everywhere are faced with difficult choices about how to deal with environmental problems. Comparative risk assessment can help. CRA is a tool for comparing and ranking risks to health and ecosystems and identifying strategies for managing these risks, on the basis of both scientific data and public values. Recent experience in the United States and in other countries worldwide shows how CRA can assist in setting environmental priorities, promoting coordination between agencies, building consensus, and giving expression to the environmental concerns and preferences of the community. Authors: Ede Ijjasz and Laura Tlaiye.

Environmental Funds, January 1999

Environmental funds are increasingly popular environmental financing mechanisms in developing and transition economies. They, however, often only postpone rather than solve environmental problems, and they may contribute to existing distortions. This note provides guidance on approaches to dealing with such funds. Author: Magda Lovei.

assessment. Coming from different perspectives—Regional, Bank-wide, and sectoral—this material is designed to ensure that each step of the EA/safeguards process is taken at the right time and in the most effective manner to ensure compliance with Bank policies. EA-II noted that: “The quality of EAs depends on the accuracy of impact predictions, adequacy of data and methods, responsiveness of the consultation process, and appropriateness of mitigation, monitoring, and institutional measures.” By clarifying the steps and timing, roles and responsibilities, and technical procedures for carrying out each of these phases, the materials produced by different Bank actors constitute an important body of knowledge designed to provide staff with the tools they need to carry out high-quality EA/safeguards work.

To supplement training, Bank staff have developed numerous new information resources to ensure that the safeguard policies are understood and can be applied consistently and rigorously by staff in different sectors. And the Bank has gone beyond hard-copy publications to placing the bulk of this material on the Internet, thus making it more easily available to field staff and national actors

involved in the EA process—from government agencies to community groups. The new knowledge management activities should be viewed as part of the Bank’s internal and external capacity building efforts, especially since many of those who can obtain access to web material might never have the opportunity to attend a formal, Bank-sponsored training course.

Notes

1. D.J. Graham, K.M. Green, and K. McEvoy, “Environmental Guidelines for Social Funds,” Latin America and Caribbean Region, Sustainable Development Technical Paper 1 (Washington, D.C.: World Bank, 1998).

2. *Roads and the Environment: A Handbook*, Koji Tsunokawa and Christopher Hoban, eds., World Bank Technical Paper 376 (Washington, D.C.: 1997).

3. Wendy S. Ayres, Kathleen Anderson, and David Hanrahan, *Setting Priorities for Environmental Management: An Application to the Mining Sector in Bolivia*. World Bank Technical Paper 398, Pollution Management Series (Washington, D.C.: 1998).

Chapter 7 Highlights

EA FOR SECTOR ADJUSTMENT LOANS (SECALS)

- Bank experience with EA for SECALs
- Evaluations of Bank Performance
- Recent Research
- Suggestions from External Partners
- Learning from SEAs

SECALs are subject to EA, but few full EAs have been undertaken because most are Category B. Consultations and social and environmental assessment for some of these projects has been of high quality, but many key EA elements have been largely ignored. The Bank is currently sharpening categorization criteria and defining an EA process for SECALs.

EA FOR STRUCTURAL ADJUSTMENT LENDING (SALS)

SALs are not currently covered by OP 4.01 although environmental issues are supposed to be considered and pressure is growing to include them. Most SALs referred only briefly to the environment, but a review identified two best practices in EA for SALs.

SECTORAL AND REGIONAL ASSESSMENTS

- Regional Environmental Assessments
- Bank Experience with REAs
- Principal Benefits of SEAs and REAs

SEAs are being used increasingly and are promising because they take a broad view and occur upstream in the project process, allowing time for analysis of alternatives, careful preparation of legal documents, and public participation. REAs are also effective but tend to be used less because of Bank and client approaches.

COUNTRY ASSISTANCE STRATEGIES

- Linking Environment to the CAS
- Bringing Environmental Issues into the CAS

A study of 39 CASs highlighted the need to incorporate environmental issues more explicitly in Country Assistance Strategies.

NEW LENDING INSTRUMENTS

- Adjustable Program Loans (APLs)
- Learning and Innovation Loans (LILs)
- APLs, LILs, and Safeguards

EA/safeguard work has been carried out for some APLs but not for LILs.

POVERTY REDUCTION SUPPORT CREDITS

- Poverty Reduction Strategy Papers (PRSPs) and the Environment
- PRSC and Safeguards

Review of 19 PRSPs found sharp variations in mainstreaming of environmental issues; the linkages between environment and health and poverty are better understood than linkages between environment and macroeconomic programs and policies.

Special Issues

This chapter focuses on several new lending instruments that have been developed in recent years—most of which did not exist at the time that the second EA report was prepared, and some of which are not strictly subject to Bank safeguard policies. Thus we look here at the use of environmental assessment in sectoral and structural adjustment lending (SAL), country assistance strategies (CASs), learning and innovation loans (LILs), and adaptable program loans (APLs), as well as sector adjustment loans (SECALs). Progress in the area of sectoral and regional EAs (SEAs and REAs) is discussed after the section on SECALs. Environmental assessment is also discussed in the context of Poverty Reduction Support Credits (PRSCs), another innovation built upon the poverty reduction strategies that began rolling out in 1996. The chapter does not focus on Category B projects (one of the special issues highlighted in EA-II) because they have been discussed throughout this text and were assessed, along with Category A projects, in most of the ratings performed on EA generally.

7.1 EA for Sector Adjustment Loans

Operational Policy (OP) 4.01 (para. 10), states that sector adjustment loans are subject to the requirements of the overall policy on environmental assessments.¹ The OP further states that: “EA for a SECAL assesses the potential environmental impacts of planned policy, institutional, and regulatory actions under the loan.” Footnote 15 amplifies that: “Actions that would require such assessment include, for example, privatization of environmentally sensitive enterprises, changes in land tenure in areas with important natural habitats, and relative price shifts in commodities such as pesticides, timber and petroleum.” The provisions of this OP were to apply to SECALs for which a Project Information Document (PID) was issued after March 1, 1999, and they imply that an EA has to be carried out for all Category A and B operations.

As the OP provides a minimum of guidance, applying EA (and by extension other safeguard policies) to SECALs raises a number of challenges beyond those faced by conventional or programmatic investment lending, such as:

- How to classify SECALs into the standard EA categories?
- How best to integrate social issues and environmental aspects?²

- How to conduct truly representative consultations for sector- and country-wide reform programs, which are often proposed under a SECAL?
- Where to find the expertise and funding to carry out a good-quality EA in the very short preparation time usually available for a SECAL?

7.1.1 Experience with EA for Sector Adjustment Loans

Very few examples of well-prepared EAs for SECALs are available. Based on an August 2000 review³ of SECAL operations, six had been approved (all Category B projects) and two had completed EAs (*Indonesia: Water SECAL* and *Russia: Second Coal SECAL*). The EA for *Poland: Hard Coal SECAL* was pending, and the other three loans (*Bulgaria: Second FES*, *Ivory Coast: Transport Sector*, and *Ukraine: Coal SECAL*) use an environmental management plan approach with environmental review procedures.

The *Indonesia Water SECAL*⁴ (also called WATSAL), which may represent current best practice, was prepared through voluntary compliance by government and the Bank team, since OP 4.01 had not been formally issued at the time of loan processing. The East Asia Environment and Social Development Department has published a “Safeguard Note”⁵ that summarizes the experience and presents the highlights of the EA preparation.

As described in more detail in the note, the most important and successful element of the WATSAL EA was its open and comprehensive consultations. The consultations provided important inputs into the risk analysis matrix based on stakeholders’ concerns—dealing with social and institutional issues rather than with typical environmental concerns. These new issues were incorporated into the analysis, and mitigation measures were devised. A major challenge was how to structure the public consultations to make them representative—not only of the wide range of different stakeholders, but also of regional and local interests, all the way down to the farm level—within the severe time constraints imposed by the loan processing schedule. In the end the consultations not only provided valuable inputs for the reform agenda, but also provided reassurance to government and the Bank on the agenda’s appropriateness.

The EA for the *Poland: Hard Coal SECAL* provides a good example of a balanced assessment including both environmental and social issues. The environmental concerns deal mostly with mining waste disposal, handling polluting emissions, and the technical solutions needed to address them.⁶ The social impacts result from large-scale mine closures to be mitigated through employment restructuring, social packages, and other social support, including follow-up evaluations and labor surveys. A functional EA procedure was required for each individual mine site. The *Ukraine: Coal Mining SECAL*, addressing a similar situation, used an EMP without carrying out a full EA; key social issues were identified in a separate social assessment.

The *Bulgaria: Second Financial and Enterprise SECAL* did not use a full EA, but relied on a safeguard review procedure for a program of reforms and privatization in the financial and enterprise sectors, including the initial phase of energy sector restructuring. As such, the procedures deal with the impacts of privatizing often highly polluting enterprises. An environmental impact assessment requirement was introduced for each state-owned enterprise to be privatized, and special attention was given to dealing with past liabilities, their assessment, remediation, and responsibilities for hidden liabilities.

The *India: Karnataka Power Restructuring Program*, originally proposed as a SECAL operation, was being prepared at the end of FY2000 and was able to draw from the experience of a number of past and ongoing SECALs to draft comprehensive terms of reference for an EA. The early draft set out a broad objective: to “maximize positive and minimize negative social and environmental risks.” A later draft⁷ restricts the language to cover only environmental assessment, seeking to examine linkages between the power sector and the environment and review existing and recommend new policies to mitigate any negative impacts. The EA is to draw extensively on recent work on environmental issues in India’s power sector.

Although to date no SECAL operations have been classified as Category A, the comprehensive EA work and resulting reports carried out for some of the Category B projects mentioned above could serve as adequate models for EAs of Category A SECALs.

7.1.2 Evaluations of Bank Performance

A 1999 limited desk review⁸ performed an evaluation of past operations, and found that only 3 of 17 non-financial sector SECALs (of those approved during FY98 and FY99) included a substantial discussion of environmental issues and developed EA audits and mitigation plans. The same review also showed that “the institutional capacity and organizational constraints facing borrowing countries are not fully assessed, the connection to poverty is abstract, stakeholder analysis is weak . . . and the sustainability of the programs in terms of their impact on the poor and the natural environment is not fully considered.” An FY2000 “Review of Safeguard Risk for Sectoral Adjustment Loans” found that 3 of the 12 projects that issued a PID after the March 1, 1999, cutoff date would justify a Category B classification; moreover, 8 of the 16 remaining operations (with PIDs issued before March 1999) could potentially be Category B—and thus require an EA—if OP 4.01 had applied at the time.

7.1.3 Further Research

Since Management’s 1997 decision, in principle, to require EAs for SECAL operations, the Bank has considered how to address environmental and social issues in the context of adjustment lending (both SECALs and structural adjustment loans, or SALs). A 1999 draft paper⁹ sets out four steps for the EA process: screening/classification, analysis, mitigation, and follow-up/monitoring (see box 7.1). The paper also proposes general criteria for the classification of loans, taking into account key factors (type of sector, characteristics of country economic and environmental structure, and country institutional structure) when assigning the EA category (see Box 7.2).

A discussion brief prepared in early 2000 uses the term “strategic EA,” and sets out a reference framework for conducting EA for SECALs.¹⁰ The framework includes links to, and inputs from, CAS development strategies, as well as National Environmental Action Plans. The paper also emphasizes the need not only to minimize negative impacts but also to maximize positive impacts, implying an important shift from “do no harm” to “do good” when it comes to policy reform.

Box 7.1 Four Steps for an EA Process for SECALs

1. **Screening/Classification.** SECALs must be screened and categorized according to their potential environmental impacts. During this stage major environmental impacts that might be associated with proposed sectoral reforms and/or policy measures must be identified and carefully assessed. Broad and representative public consultation should be conducted during this stage.
2. **Analysis.** An Action Impact Matrix of “broad economic measures and their social and environmental impacts” can be employed to help identify potential impacts of sector-wide reforms identified in the first step.
3. **Remediation/mitigation.** Targeted complementary policies or investments need to be formulated (to mitigate predicted environmental damage and enhance beneficial effects). Where linkages are difficult to trace ex-ante, greater reliance should be placed on preparing contingency plans to be invoked ex-post. Given the uncertainty of possible impacts, *flexibility* is key in the design of policies and plans.
4. **Follow-up/monitoring.** A system for monitoring the impacts of economic or sectoral reform programs in environmentally and socially sensitive areas should be designed at the time of project preparation, and resources should be made available to address environmental problems that may arise during implementation.

7.1.4 Suggestions from External Partners

Some international nongovernmental organizations have put forward their own ideas on suitable approaches for environmental and social assessments of (sectoral) adjustment lending operations. In a brief note, Friends of the Earth¹¹ makes preliminary recommendations for a “dynamic assessment,” including a public consultation and process for evolving review. Three main stages are envisaged for such an assessment: initial impact assessment (involving information disclosure and public

Box 7.2 Suggested Criteria for Classification of SECAL Operations

Category A

- The sector is generally sensitive from an environmental perspective.
- The sector is associated with significant environmental problems in the country; that is, significant existing environmental problems can be traced to policy, legal, or institutional characteristic within the sector.
- The institutional capacity of the country to conduct sectoral adjustment activities is weak. For example, the capacity of the institutions to design socially and environmentally sound policies, strategies, plans, or programs is weak, and/or the proposed policy, legal, or institutional adjustments of the SECAL could cause significant adverse social and/or environmental impacts.

Category B

The sector is generally sensitive from an environmental perspective, but is not associated with significant environmental problems in the country. The institutional capacity of the country to conduct sectoral adjustment activities is good or can be strengthened with relative ease.

Category C

The sector is neither environmentally sensitive nor associated with significant environmental problems in the country. The institutional capacity of the country to conduct sectoral adjustment activities is good.

consultation); monitoring and retrofitting; and evaluation. The World Wide Fund for Nature has proposed a framework¹² for assessing the environmental impacts of macroeconomic reforms, which could also be applied to sectoral policy components.

The World Resources Institute looked at structural adjustment and forest policy reform.¹³ The research concluded that sustained sectoral engagement (such as performing a thorough sectoral EA), conducting a dialogue with stakeholders, selecting the right conditions, and tackling governance issues were the key elements for successful adjustment operations.

7.1.5 Learning from SEAs¹⁴

To date staff has been given little formal guidance on how to apply EA safeguard policies to SECALs, and there is little practical experience from which to draw. Probably the most relevant and useful

examples are some very good sectoral EAs prepared in accordance with *EA Sourcebook Update 4* (October 1993) on “Sectoral Environmental Assessment.” These guidelines are intended to apply most commonly to sector investment programs involving multiple sub-projects, but could also be used for sectoral time-slice or line-of-credit operations, or even for sector adjustment loans or evaluation of sector policies. Although the *Sourcebook Update* is geared toward sectoral investment operations or sector analysis, paragraphs addressing review and analysis of the policy, legal, and administrative framework—national and sectoral—are very useful.

7.2 EA for Structural Adjustment Lending

Currently, structural adjustment lending is not covered by the safeguard requirements of OP 4.01.

However OD 8.60 (Adjustment Lending) *suggests* that staff: (a) review the borrower's environmental policies and practices, (b) take these into account in the design of the adjustment loan, and (c) identify linkages between the adjustment program and the environment. The OD suggests that where there are negative impacts upon the environment, the practice should be to reform country policies on environment and natural resources, rather than to delay the adjustment program.

While the new OP 8.60 is being drafted, the June 5, 2000 Operational Memorandum on "Clarification of Current Bank Policy on Adjustment Lending" states that:

It is good practice for the Bank staff, in preparing appropriate assistance programs, to review environmental policies and practices in the country, take account of any relevant findings and recommendations of such reviews in the design of structural adjustment programs, and identify the linkages between the various reforms proposed and the environment. If there are negative linkages, it is good practice to devise specific measures to counteract the possible negative effects, or explain how mitigation is being achieved elsewhere within the Bank's Country Assistance Strategy.

A desk review of the President's Reports for the most recent tranche of structural adjustment loans and credits (23 operations that went to the Board between February 1999 and April 2000) shows that of 23 loans, 15 (65 percent) had an explicit environmental section, while 10 (44 percent) mentioned environment as a factor linked to the loan objectives. Another 9 (39 percent) had environmental conditionality, and 6 (26 percent) mentioned environment in the risk section and included measures aimed at environmental mitigation. The 65 percent of SALs with an explicit environmental section in the most recent tranche generally had a heading and one sentence to the effect that no environmental impacts could be expected from the loan. Interestingly, a large majority of these loan documents in fact referred to OP 4.01, and rated themselves as category C for environmental impact assessment purposes—even though that policy

does not apply to adjustment lending. None of the loan documents referred to OD 8.60 or its requirements, although OD 8.60 *does* apply to these operations.

The review also identified two cases of probable best practice. The *Madagascar Structural Adjustment Credit II* (April 1999) features: (a) a description of the natural endowment as a source of wealth in the "Country Context" section; (b) policy reforms in land tenure to permit tourism development; (c) reforms in the mining sector, including a new Mining Code with transparent granting of concessions and the application of environmental standards; (d) conditions on petroleum sector privatization to deal with environmental cleanup; and (e) reforms in the fishery sector, including the auction of quotas. This wide range of environmental interventions is integral to a wider reform program.

The *Bulgaria: Environment and Privatization Support Adjustment Loan* (January 2000) presents a comprehensive program for dealing with environmental liability, as a companion to the *Bulgaria: Financial and Enterprise Sector Adjustment Loan II*. The loan: (a) prescribes amendments to the Privatization Law to clarify the liability of the state for environmental damages resulting from past actions; (b) establishes environmental impact assessment requirements and risk assessment methodologies for privatization; and (c) requires remediation plans and execution agreements as part of the privatization process. Privatized establishments become subject to Bulgarian regulations for environmental management. This loan effectively sets the standard for other countries seeking to deal with issues of environmental liability in privatization.

These examples of best practice are replicable to the extent that environmental and natural resource management issues are large, relative to the macroeconomy. Madagascar, for example, relies heavily on natural resources and has further potential to benefit from its environmental assets. Bulgaria faces a large overhang of polluting waste products capable of damaging human health and other assets. At the same time, in both cases there are clear economic benefits to dealing with environmental issues. Bulgaria stands to lose substantial sums if investors bid down prices for state assets

as a result of concerns over the risk of environmental liability. Without better management, Madagascar risks the collapse of a fishery sector that is a significant foreign exchange earner.

Over the past year there have been suggestions from within the Bank (in addition to recommendations from external partners and critics), that there should be one common safeguard policy for SAL and SECAL, preferably as part of the new OP 8.60. The two have the same structure (short timeframe, no physical investments, quick-disbursement) and similar conditions, and there is a risk of perverse incentives that could lead Bank staff to classify an operation as a SAL (rather than a SECAL) just to avoid a more burdensome EA. In fact, a number of recent SALs are a bundle of SECAL components.

After considering that SALs make up an increasing share of Bank lending (38 percent in 1999) and usually have a number of potential linkages to environmental and social issues covered under the safeguards policies (trade liberalization, privatization, increased foreign investment, and reduction in government spending), the Latin America and Caribbean Region's Environmentally and Socially Sustainable Development department has gone one step further to recommend: "that all proposed lending operations (including SALs) be made subject to mandatory environmental screening, but that follow-up action (the actual environmental assessment) for SALs be decided on a case-by-case basis."

7.3 Sectoral and Regional Assessments

Sectoral environmental assessments are a much-needed complement to project-specific EAs in development planning. Whereas project EAs focus on the impacts of specific investments, and often treat sector strategic planning as a given, SEAs offer an opportunity for sector-wide environmental analysis *before investment priorities have been determined*. SEAs support the integration of environmental concerns into long-term development and investment planning. Sectoral environmental assessment is most commonly applied in the context of sector investment programs involving multiple sub-projects. The use of SEA can be defined in three ways:

- To ensure that the notion of "sustainability" trickles down from the highest levels of decisionmaking to the project level
- To select projects that ensure sustainability, and drop those that do not, after a complete review process
- To approach the design of projects in a generic sense, allowing for alternative options that would otherwise be out of scope.

SEA avoids the inherent limitations of project-specific EAs by addressing issues related to policy and planning and the legal and institutional framework. By moving upstream in the planning process to a stage where major strategic decisions have not yet been made, SEA offers better opportunities not only for analyzing existing policies, institutions, and development plans in terms of environmental issues, but also for supporting environmentally sound sector-wide investment strategies.

7.3.1 World Bank Experience with Sectoral EAs

The number of SEAs carried out as part of Bank projects have been increasing since FY92, when the first Bank-financed project subject to a sectoral EA was approved. SEAs have been prepared for sectors such as urban development (solid waste management); transport (roads, highways); water (rural water resource management); agriculture (irrigation); and energy (power development, district heating).

Numerous SEAs have been carried out within the Bank's Regions. In the South Asia Region, for example, six SEAs are currently being carried out in India and Bhutan. In addition, eight SEAs are under preparation in India—covering the water resources, urban, and transportation sectors. In the Europe and Central Asia Region SEAs have already been conducted for the energy and power industry in Romania and Russia. Another has been carried out as part of the nearly completed Poland Hard Coal Restructuring project. A mining sector EA will be done for the Mining Sector Loan Project under preparation in Romania.

In the Middle East and North Africa Region SEAs were conducted for the water and wastewater sector. An SEA was prepared under the Egypt Sec-

ond National Drainage Project, consisting of a review that addressed the policy, institutional, and technical aspects of the water sector in regard to irrigation and drainage. Sector EAs for the Sana' Water Basin project in Yemen and the Jordan Rift Valley Improvement Project were being planned at the time of this report.

In the Africa region SEAs were conducted in Ethiopia, Zambia, and Mozambique, primarily in the transport and agriculture sectors. The purpose of these EAs was to assess the countries' policy and institutional frameworks, strengthen EA capacity in sectoral agencies, devise participatory processes, and make appropriate recommendations. The Africa Region has completed 3 SEAs; 4 are under preparation, and about 10 additional SEAs are planned for the agriculture, transportation, and power sectors.

In the East Asia Region sectoral EAs were conducted in Indonesia and Thailand for the water and energy sectors. One of the first SEAs completed in the region was for the Indonesia Water Resources Sector Adjustment Lending. This was the first of its kind in the Bank, in that it was prepared in anticipation of the new OP4.01 that made EA for SECAL mandatory. The second SEA completed in the region was for a Power Sector Project in Thailand. Although this was a guarantee operation, the SEA was prepared for the EGAT (Thai Power Co.). This has been identified as a best practice, because the SEA went beyond EGAT's requirements to look at the whole power sector. An SEA is also scheduled for the Indonesia Forestry Sector Adjustment Loan.

The Philippines National Road Improvement Project adaptable program loan was not subject to an SEA, but very significant advances were made in incorporating social and environmental assessment into the operations of the Department of Public Works and Highways and establishing a Memorandum of Agreement on procedure between the relevant partners. The Philippines Portfolio Review (chapter 6) is an example of a portfolio-wide review of risks of projects under implementation.

In the Latin America Region several SEAs were carried out in the water, power, and transportation sectors. In Argentina, for example, a sectoral EA was conducted for the Water Sector Reform Project.

Additionally, SEAs are under preparation for the Colombia Water Sector Reform Project and the Venezuela Power Sector Reform Project.

The SEA prepared in 1997 for the *Nepal: Power Development Project* contains an excellent example of an analysis of alternatives, performed for power generation, transmission, and distribution as well as for demand-side management. This SEA used traditional, economic least-cost analysis and added environmental and social criteria to minimize the environmental and social costs of power development.

Another very good SEA was performed for the *Senegal: Second Transport Sector Program*. It is comprehensive in its examination of all transport subsectors, presentation of case studies, and review of laws and regulations and resulting recommendations for improvements to address environmental concerns. This SEA also proposes specific clauses for insertion into tender and constructions contract documents, as well as Operation and Maintenance manuals for the various subsectors. The EA for the *Ivory Coast: Transport Sector II SECAL* followed the Senegal example.

7.3.2 Regional Environmental Assessments

Regional Environmental Assessment are normally carried out in conjunction with, or as part of, a regional development plan, with the goal of helping to define investment priorities and activities at the regional level. They are intended particularly to address those sectors (such as transport and hydroelectric power development) that frequently trigger unintended or induced development processes, which then influence the environment in multiple and cumulative ways.

7.3.3 World Bank Experience with REA

The Bank's experience to date with regional EA is considerably more limited than is the case for sectoral EA. Two examples of approved projects with REAs are the *Paraguay Natural Resources Management Project* and the *Indonesia Biodiversity Conservation Project* (Kerinci-Seblat). In Latin America REAs were undertaken for the *Flood Protection Project in Argentina*, the *Colombia Power Sector Project*, and the *El Salvador Power*

Sector Project. Several other regional EAs are in various stages of preparation including the Jubba Development Analytical study (Hydropower) in Somalia, Bali Urban Infrastructure Project in Indonesia, the Lebanon Solid Waste and Environmental Management Project, and the Integrated Watershed Development (Hills) Project II in India.

Several projects include studies and plans aimed at strengthening environmental planning on a regional scale—in order to reduce negative environmental impacts of ongoing and planned investment activities—although these approaches are not specifically referred to as “regional EAs.” Examples include the river-basin management approaches in the *Sao Paulo/Parana and Minas Gerais Water Quality and Pollution Control Projects* and in the *Ceará Urban Development and Water Resources Management Project* in Brazil. Also included are the coastal zone management plan funded by the GEF and linked to the *Private Sector Tourism Infrastructure and Environment Project* for the Red Sea coast of Egypt, the coastal zone protection plan for the *Outer Islands Power Project in Indonesia*, and the urban environmental planning framework for the *Colombo Management Project in Sri Lanka*. All these examples attempt (a) to establish a sound planning and management framework that allows for identification and assessment of potential cumulative impacts of ongoing and planned investments in a given area, and (b) to follow a spatial approach to mitigation, management, and monitoring. In this sense, they are similar to REAs.¹⁵

7.3.4 Principal Benefits of SEAs/REAs

Sectoral environmental assessments in Sector Loan Projects assist decisionmaking in the following ways:

- Key environmental issues are identified at a very early stage.
- They provide a better framework for preparing conditions and legal agreements to govern future operations of projects.
- Better decisionmaking can be achieved by a more systematic and structural framework for analysis, more objective and credible information, and increased rigor in evaluating environmental information.
- Environmentally sensitive areas can be avoided through identifying a better project location at an early design stage.
- They simplify the process of environmental investigations at the individual project level.
- They enhance the transparency of the processes of planning and winning public support for preferred options or strategies.

SEA is increasingly being applied upstream in sectoral planning to help in the design of projects with a sector-wide scope and to address problems at the level of the sector policy, regulatory, and institutional frameworks. The Second EA Review lists the Environment, Industry, and Mining Project in Bolivia and the Large-scale Irrigation Project in Morocco as good examples. Sectoral EA for the Bolivian project helped design project components aimed at strengthening environmental management and planning capacity in the two sectors, and enforcement capacity in the Ministry of Sustainable Development and Environmental Protection.

The reasons for the limited use of REA appear to include two main factors: first, most borrowers are more oriented toward sector-specific than multisectoral projects and regional planning. Second, the Bank’s traditional *modus operandi* is also more sectorally than regionally oriented. Finally, at the methodological level REA is less developed than SEA.

While experience is still limited, REAs appear to have a strong potential for improving the environmental dimension of regional development planning and for contributing to the formulation of more sustainable investment patterns and strategies at a regional level. Like sectoral EAs, REAs move environmental analysis upstream in the planning process into the policy arena, at a stage before major strategic decisions have been made.

In sum, SEA and REA are very useful tools to address safeguard issues upstream, and provide a good opportunity for inserting safeguard policy dialogue within the regions/sectors. SEA and REA facilitate intensive public participation and policy dialogue in the early stages of planning. Therefore the “timing” and “strategic” aspects of SEA/REA are vital.

7.4 Country Assistance Strategies

7.4.1 Linking the Environment to the CAS

Country Assistance Strategies¹⁶ are a central part of the policy process that determines World Bank support to client countries. Each CAS presents a comprehensive picture of a country's economic development, identifies the government's principal concerns, and makes a case for new World Bank services. Thus it is important to ensure that environmental considerations are part of the CAS, and that their role in promoting development outcomes is given sufficient attention.

The World Bank is currently attempting to sharpen its poverty mandate by tying most of its lending and policy advice more strategically to poverty reduction. Partly as a result, the Bank's new Environment Strategy makes a major effort to prioritize its environmental actions based on their impacts on the poor. Given this strategic shift in focus, it becomes important to link environment and poverty efforts within the context of the CAS. Furthermore, given pressures to be selective in CASs, environmental issues can be included only if they are mainstreamed into sectoral and poverty reduction efforts.

An environmental review was undertaken of 37 CASs developed in 1999. The main objective of the review was to obtain a baseline understanding of how CASs treat environmental concerns. Nine CASs from Africa, 1 from the Middle East, 11 from Eastern Europe and Central Asia, 9 from South and East Asia, and 6 from the Latin America and Caribbean region were reviewed.

The review assessed three broad questions: (1) Do CASs identify environmental concerns and use Bank instruments to address these concerns? (2) Are natural resource and environmental issues mainstreamed by linking them to policy concerns in general and macro and sectoral initiatives in particular? (3) To what extent are environmental strategies linked to poverty reduction efforts?

To address these questions, CASs were ranked on the basis of key criteria such as identification and treatment of environmental issues, whether or not environmental issues were mainstreamed, whether the CAS included a discussion of incentive mechanisms and whether connections between

poverty reduction efforts and environmental concerns were identified.

In addition, country case studies in Azerbaijan, the Dominican Republic, Pakistan, Tunisia, and Zambia were selected to chart a process for incorporating environmental considerations into the CAS. At the end of each case study, a CAS paper was presented to Bank country teams. The paper included a description and diagnosis of environmental problems, a "CAS analytical matrix" allowing the reader to draw logical conclusions about the links between environment and development outcomes, and a set of environmental indicators that compare the country's environmental status with other similar countries and identify changes over time.

7.4.2 Expanding the Incorporation of Environmental and Resource Issues into the CAS

Based on the analysis of the case studies (see Box 7.3), a set of practical actions to improve the environmental quality of Country Assistance Strategies was suggested.

- *Mainstream environmental issues into different country activities.* The Country Assistance Strategy is the final product of a series of actions that include negotiations and discussions among country team members and government agencies, project outcomes, and country priorities. Any efforts to integrate environmental concerns into country activities will trickle down into the CAS.
- *Environmental issues can be integrated into CASs by identifying linkages between economic development and environmental change.* For example, in the Dominican Republic, Tunisia, and Zambia a strong connection was identified between tourism, a major driver or potential driver of economic growth, and environmental degradation. Therefore, when either environmental management offers a means for economic development, or degradation is beginning to have negative impacts on growth, country teams are more likely to be open to environmental interventions.

Box 7.3 Findings from the CAS Environmental Review

The review of FY1999 CASs indicates that *environmental considerations figure in almost all CASs*. Most identify environmental concerns in the CAS analytical matrix, and often in the CAS text as well. A majority of the CASs have a lending or non-lending project related to environmental or natural resource issues.

There are *significant regional differences in the treatment of environmental issues*. The East Asia CASs do well, while the Eastern European and Central Asian CASs do relatively poorly in their consideration of environmental issues. The high score received by East Asian CASs results from consistent efforts to mainstream environmental issues and the use of innovative economic tools in doing so. The low score received by Eastern European and Central Asia partly reflects a major focus on transition-related issues in these countries. In general, there is a need to strengthen the environmental quality of CASs in low-scoring countries. There are ample opportunities for these countries to learn from best practices across the Bank.

Environmental and resource considerations are currently mainstreamed into CASs in several ways. Policy issues are generally addressed through lending for environmental policy reforms and integration into sectoral strategies. Incentive mechanisms such as tariff reform and property rights issues feature in several CASs, but not as frequently as other policy concerns. There is, however, very little integration of environmental considerations into macroeconomic analyses or reforms.

Insufficient attention is paid to the links between poverty reduction and environmental change. More than half of the reviewed CASs failed to connect poverty and environmental concerns. These links are addressed mainly within the context of natural resource management.

- *In countries where the link between economic development and environmental change is dynamic and longer-term, it is prudent to engage task managers in robust discussions*. Several areas need attention, such as:
 - Reforming sectoral policies that affect environmental issues, with particular attention to energy and infrastructure policies
 - Ensuring that countries with a heavy foreign exchange dependence on natural resources develop sustainability criteria for managing both their natural resources and the revenue streams from resource depletion
 - Identifying prices, property rights, fiscal, and other incentive mechanisms that influence environmental considerations—especially to correct environmental externalities or improve efficiency of resource allocation.

7.5 New Lending Instruments

7.5.1 Adaptable Program Loan

Adaptable program loans provide phased support for long-term development programs. They involve a series of loans that build on the lessons learned from the previous loan(s) in the series. APLs involve agreement on (a) the phased, long-term development program supported by the loan; (b) sector policies relevant to the phase being supported; and (c) priorities for sector investments and recurrent expenditures. Progress in each phase of the program is reviewed and evaluated, and additional analysis undertaken as necessary, before the subsequent phase can be initiated.

APLs are used when sustained changes in institutions, organizations, or behavior are key to successfully implementing a program. They can be used to support a phased program of sector

restructuring, or systemic reform in the power, water, health, education, and natural resource management sectors, where time is required to build consensus and convince diverse actors of the benefits of politically and economically difficult reforms.

7.5.2 Learning and Innovation Loan

The learning and innovation loan supports small, pilot-type investment and capacity-building projects that, if successful, could lead to larger projects that would mainstream the LIL's experience and results. LILs do not exceed US\$5 million, and are normally implemented over two to three years—a much shorter period than most Bank investment lending. All LILs include an effective monitoring and evaluation system to capture lessons learned; they are used to test new approaches, often in start-up situations or with new borrowers. LILs may be used to build trust among stakeholders, test institutional capacity and pilot approaches in preparation for larger projects, support locally based development initiatives, and launch promising operations that require flexible planning, based on learning from initial results.

7.5.3 EA/Safeguards Experience with APLs, LILs

Since FY98 both APLs and LILs have undergone safeguard applications in the project preparation process. However, LILs are generally smaller and preparatory in nature and do not have significant safeguard policies applied.¹⁷ There have been several LILs with Category Bs and one classified as an A. However, three APLs in the power sector in India (Haryana, Uttar Pradesh, and Andhra Pradesh Power Sector Restructuring Projects) have developed environmental frameworks and safeguard applications. The first APL in Morocco adopted an EA framework that concentrated on the national environment policy framework and institutional capacity, as well as program specifics.

The overall categories of projects is highlighted in Table 7.1. It is readily noted that APLs have a greater percentage of category Bs (slightly more than half) in comparison to LILs (only a quarter of the projects).

Table 7.1 Environmental Classification for APLs and LILs, FY 98–00

Environmental Category	APLs		LILs	
	No.	(%)	No.	(%)
Category A	4	7	1	1
Category B	38	57	19	24
Category C	24	36	60	75
TOTAL	67*		80	

* there was 1 FI

7.6 Poverty Reduction Support Credits

The Poverty Reduction Support Credit is a CAS-based development assistance instrument designed to support a country's policy and institutional reform and public expenditure priorities. It is grounded in the principles of the Comprehensive Development Framework. Over time, the PRSC is expected to become an important vehicle of the International Development Association financial support to well-performing low-income countries, providing an anchor for overall Bank overall support for a country's development program and poverty reduction strategy that is closely linked to the International Development Goals strategy.¹⁸ These guidelines will be kept under review and revised, as necessary, in light of the early experience with PRSCs.

The PRSC is constructed based on a country's Poverty Reduction Strategy Paper (PSRP) or Interim Poverty Reduction Strategy Paper (I-PSRP), which sets out the country's poverty reduction strategy and the priority public actions it needs to achieve its goals.¹⁸ Utilizing country-based economic and sector work integrated and summarized in the Development Policy Review, Bank and Fund staff provide a joint staff assessment of the adequacy of the PRSP—and of the country's commitment and capacity to implement it—as a strategy for achieving sustained growth and poverty reduction. A PRSC typically involves a series of two or three tranches that together support the government's medium-term development and reform program to implement its poverty reduction strategy.

7.6.1 Poverty Reduction Strategies and the Environment

A review was undertaken to assess the extent of environmental mainstreaming in the Poverty Reduction Strategy Papers.²⁰ Nineteen interim and full PRSPs in Africa, Latin America, and Eastern Europe/Central Asia were reviewed, with the following four questions as a framework:

- (1) What issues of environmental concerns and opportunities are identified in the PRSPs?
- (2) To what extent are poverty-environment causal links analyzed?
- (3) To what extent are environmental management responses and indicators put in place as part of the poverty reduction efforts?
- (4) To what extent has the design and documentation of the process allowed for mainstreaming of environment?

The contents of the PRSPs were scored according to 15 criteria on a scale from 0 (no mention) to 3 (best practice). The main findings were:

- There is considerable variation in the degree of mainstreaming: from a high score of almost 2 (Kenya) to a low of 0.3 (Senegal). This indicates that the level of attention given to environmental issues varies considerably. While some variation is legitimate and to be expected, there is no reason to believe that the lower scoring countries are free from concerns of environmental health and natural resources degradation linked to poverty.
- The average score was low, which indicates that there is considerable room for improvement.
- The 3 full PRSPs ranked high in comparison to the 16 interim PRSPs.
- Best practice does exist, and this paper provides many examples that can serve to inspire future work (see Box 7.4).

Specific conclusions included several focus areas. First, even though the poor in most PRSP countries are overwhelmingly and directly dependent on natural resources, this is not explicitly articulated in many cases. Problems are not generally well defined, if at all. Consideration of poor (envi-

ronmental) health, however, is generally better recognized and understood. Most PRSPs did not recognize the significance of natural resources and environment, nor did they focus on elaborating poverty-environment linkages. However, countries that systematically analyzed poverty-environment links were successful in incorporating environmental concerns as part of poverty reduction objectives. For example, the Burkina Faso, Honduras, and Kenya PRSPs present relatively holistic treatment of poverty-environment links and poverty/natural-resource dependence.

Overall, the analysis of how macroeconomic policies and programs influence environment is rather poorly developed. Most PRSPs did not explicitly present the legislative, institutional, and regulatory interventions needed to reduce poverty through better environmental management. An important issue not addressed by several PRSPs was the cost of environmental interventions and the sources of funding. Costs of inputs and the relationship between inputs and outcomes is generally absent, except in the Kenya PRSP.

Although countries describe the processes of discussion, stakeholder participation, and consensus-building in PRSP preparation, there is little discussion at this stage of the proposed implementation of the PRSPs. It is also difficult to determine to what extent environmental constituencies have been included, and to what extent poor people in general voiced environmentally related concerns. The full PRSPs are expected to bring about a considerable improvement on this point.

7.6.2 PRSC and Safeguards

The first collection of PRSCs are expected to go to the Board in FY01. At the time of production of this report, no final operational guidance was available on how to approach the issues of social and environmental safeguards. The Operations Policy and Strategy office issued preliminary guidance on these new instruments, instructing that they are consistent with adjustment lending, including Operational Directive 8.60, and the general guidelines on programmatic structural adjustment loans and credits. Specific reference to safeguard issues includes the following:

Box 7.4 PRSP Best Practices for Environmental Linkages**Kenya**

The Kenya PRSP describes environmental issues related to land use and water and suggests strategies, monitoring indicators, and implementation costs of the strategies in these areas and energy. The Kenya PRSP is also sensitive to biodiversity loss and makes detailed proposals for biodiversity management and action plans, such as an inventory of ecosystems to assess the potential uses of plant and animal species to local communities. The proposal called for the creation of three environmental bodies at the national level, as well as an Environmental Trust Fund and information system. In addition, detailed proposals were made for restructuring forestry institutions and forest management, including a full forest inventory, new licensing procedures, and collaborative agreements with local communities. A detailed participation plan for the preparation of PRSP included consultation with stakeholders and a timetable and indicators to measure performance.

Rwanda

Rwanda's PRSP notes that most of the energy currently consumed by the poor is in the form of fuelwood. Shortage of fuelwood imposes time and financial costs on poor households, which makes it harder for children to attend school. Poor access to energy impedes the development of non-agricultural activities and agro-processing, compromising prospects for economic diversification. Access to potable water in rural areas fell from 64 percent in 1984 to 50 percent in 1996. One-third of the water supply infrastructure does not function and poor households cannot afford the fees for drinking water. Note was made that 250,000 households live in camps under plastic sheets, and more than 60,000 live in damaged housing. The government has initiated a resettlement program to ensure that new settlements have access to basic public services such as water and sanitation. The PRSP was prepared through a process of extensive consultation at the central government and prefecture levels, involving civil society. The consultation process was to be expanded through focus groups at the prefecture level and participatory poverty assessments to be carried out in 60 communities. A Participation Task Force was established to implement consultations.

Ghana

On the theme of how policies influence natural resources management, the Ghana PRSP highlights that the water sector has benefited tremendously, in terms of both policy and funding, from structural adjustment. Community water and sanitation and urban water supply enjoyed the injection of new capital, as well as a new framework for management. In the urban water sector, the Ghana Water and Sewage Corporation has been restructured into a limited liability company. A program to increase tariffs to safeguard the financial viability of the utility is under way, and takes into account whether poor households can pay. Furthermore, a set of policy changes are under way to encourage cocoa growers through such incentives as raising producer prices, reducing the export tax, and allowing licensed buying companies to export a fixed quota of domestic production. Such measures will influence the trade-off between cocoa bushes, which are a perennial tree crop with good ground cover, and alternative crops. Further study would be required to determine how these policy changes affect the environment.

Burkina Faso

The Burkina Faso PRSP specifies a program of soil and water conservation designed to break the vicious circle of soil degradation, poverty, and food insecurity. It also refers to new legislation pertaining to environment, water, and mining. Related to environmental management is the testing of ways to provide for more secure property rights to land under a national land management program. The cost of the program to strengthen environmental management is derived, and includes development of irrigation schemes to combat vulnerability, rural development projects, and strengthening of institutional capacity.

- Drawing on the PRSP/I-PRSP and other work, PRSC documentation should summarize the likely social impact of policy and institutional reforms supported by the Bank—and of the associated macroeconomic policies—as well as the measures that authorities are taking to enhance positive and mitigate adverse impacts.
- PRSCs may focus on economy-wide policy or institutional issues, such as broad public sector reform. However, if a PRSC includes a significant focus on sectoral policies, institutions, and regulatory actions, it would be treated as a sector adjustment operation for purposes of the Bank's operational policies on environmental assessment.²¹

Consequently, safeguard staff have approached the PRSC in a similar fashion to SALs/SACs and SECALs (see section above), and have applied OP 4.01.

7.7 Conclusions

Although environmental assessment and safeguards issues are generally being considered in the development of relatively new Bank instruments, few quantitative studies have been undertaken to assess effectiveness—mainly since the body of projects available is still small and not all of the instruments are subject to safeguards. However, the studies that have been prepared—for PRSPs and SECALS—indicate that while some projects have developed good practice, most do not adequately take the various components of EA and safeguards into consideration. The PRSP study of 19 projects in Africa noted “considerable room for improvement,” but pointed out that complete PRSPs scored better than interim PRSPs. The 1999 and 2000 studies of 17 and 12 SECALs, respectively, also highlighted serious weaknesses. Structural adjustment loans, which are not subject to safeguard policies at present, nonetheless appeared to have a better record for including environmental considerations in the lending process.

Despite what appear to be discouraging results, ample examples of good practice in all of the areas covered can be identified. Moreover, the Bank was, at the time of publication, strongly considering a more uniform approach to the application of safeguard policies that would clarify requirements

for staff and clients and facilitate implementation and the application of good practice in one area to others. Finally, the foregoing analysis reveals that numerous Bank units are working toward the development of frameworks for a more thorough and consistent application of safeguards, with useful input from civil society organizations.

Notes

1. Footnote 1 of OP 4.01 clarifies that the applicability of EA to adjustment loans would be covered by the forthcoming OP 8.60 on adjustment lending.

2. OP 4.01 states in paragraph 3 that: “EA considers natural and social aspects in an integrated way.”

3. K. Green and others, “Review of Safeguard Risk for Sectoral Adjustment Loans,” World Bank, 2000.

4. Approved in May 1999.

5. “Environmental Assessment for Sectoral Adjustment Loans: The Case of the Indonesia Water Resources Sector Adjustment Loan,” EASES Environmental and Social Safeguard Note 3, World Bank, 2000.

6. It appears, however, that the government's regulatory and institutional weaknesses were not adequately addressed in the EA.

7. Revised version 3, September 2000 draft. Note: This SECAL has since evolved into a broader SAL operation.

8. “Social and Environmental Aspects, A Desk Review of SECALs and SALs Approved during FY 98 and FY 99, ESSD,” World Bank, September 1999 (draft).

9. M. Munasinghe, “Environmental Assessment of Sectoral Adjustment Loans (SECALs),” September 1999 (draft for *EA Sourcebook Update*).

10. A. Belle and R. Lubis, “Framework of EA for SECAL (Strategic EA),” World Bank discussion brief, n/d.

11. A. Durbin and others, “Recommendations for Policy Cohesion on Structural and Sectoral Adjustment Lending,” World Bank, n/d.

12. P. Edwards, “Environmental Impact Assessment for Macroeconomic Reform Programs,” Macroeconomics for Sustainable Development Program Office, Worldwide Fund for Nature, March 2000.

13. F. Seymour and N. Dubash, “The Right Conditions: The World Bank, Structural Adjustment and Forest Policy Reform,” World Resources Institute, 2000.

14. The terms sectoral environmental assessment and EA for SECAL are sometimes used interchangeably.

ably, but are not necessarily the same thing. The former is an assessment of a sector, while the latter is concerned with assessing the impacts of a (policy) reform program, conditioned by the SECAL, on the sector.

15. Second EA Review, World Bank, 1997.

16. P. Shyamsundar, K. Hamilton, L. Segnestam, M. Sarraf, and S. Frankhauser, "Country Assistance Strategies and the Environment," Environment Department, World Bank, April 2000.

17. R. Goodland, 1999.

18. See *A Better World for All: Progress towards the International Development Goals, 2000*.

19. See *Interim Poverty Reduction Strategy Papers (I-PRSPs): Guidance on I-PRSPs and Joint Staff Assessment of I-PRSPs, Joint Note to World Bank and IMF Staff*, September 7, 2000.

20. Jan Bojo and Rama Reddy, *Poverty Reduction Strategies and Environment, A Review of Interim and Full PRSPs*. Africa Region Environment and Social Development Unit, World Bank, December 2000.

21. See World Bank, OP/BP 4.01, *Environmental Assessment*, January 1999. See also World Bank, *Operational Memorandum on Clarification of Current Bank Policy on Adjustment Lending*, June 5, 2000.

Chapter 8 Highlights

QACU ROLES AND RESPONSIBILITIES

- Clarity of Policies
- Clarification and Alignment of Policies
- Staff Guidance
- Applying Safeguards to Policy-Based and New Instruments
- Review and Clearance System
- Improved Coordination

QACU is improving policies, expanding guidance, and reviewing challenging operations. The Unit is also revising certain policies and coordinates this with key stakeholders within and outside the Bank.

To simplify the application of the safeguards policies for operations and make information more accessible to management and external stakeholders, QACU and LEG are developing an integrated system of review and clearance that covers all 10 safeguard policies and their associated disclosure requirements.

THE ENVIRONMENT STRATEGY

The new Environment Strategy defines how the Bank will work with clients and partners to address environmental problems as an integral part of their own sustainable development policies. Emphasis is on integrating—or “mainstreaming”—environment into country development programs, sector strategies, and investments in conjunction with the goal of improving people’s lives, development opportunities, and prospects for a sustainable future. Reforming the safeguard system is recognized as a dynamic and incremental process that involves both the Bank and its clients in a series of actions that include strengthening compliance with safeguard policies, building an integrated safeguard compliance system, and improving results on the ground.

The Bank recognizes it will have to modify its policies by adapting to a changing lending profile, including lending instruments such as Poverty Reduction Support Credits, Adaptable Program Lending, Learning and Innovation Loans, and Programmatic Structural Adjustment Loans and Credits. Focusing on client capacity and ownership and moving safeguard policies upstream in the decisionmaking process are key elements of this approach. The Bank Group will continue to play an active role in working with other international financial institutions to better coordinate efforts on the development and application of safeguard policies, dissemination of good practice, and specific measures to facilitate harmonization of policies and processes.

The New Safeguard Compliance System and the Bank's Environment Strategy

This chapter provides some insight into current Bank actions with regard to safeguard policies and measures to improve their development effectiveness and future direction. The Bank recently completed a lengthy and comprehensive internal consultation to develop an Environment Strategy for the next 10 years. The strategy addresses, among numerous topics, the future shape of environmental assessment (EA) and safeguard applications. It is discussed here in association with a parallel Bank management report on the history and implementation of the 10 safeguard policies and key issues for consideration. Significant changes that management has undertaken to improve safeguard accountability, budgeting, and compliance are also reviewed.

8.1 Quality Assurance and Compliance Unit Roles and Responsibilities

Bank management is aware of the challenge involved in converting its safeguard policies into reasonable and practical operational guidelines and procedures. The sum of experiences from the last 10 years has created both enormous progress and parallel challenges. As the institution and its Borrowers and executing partners learn, ample opportunity arises to modify past practices and make improvements. This concern and preoccupation with improving the way safeguard business is conducted has resulted in the need to establish clear requirements for safeguard compliance in an ongoing process that involves three complementary measures: safeguard clarity, safeguard guidance, and safeguard review and clearance (Box 8.1). These tasks are the responsibility of the recently created Quality Assurance and Compliance Unit (QACU), and are discussed in detail below.

8.1.1 Clarity of Policies

All safeguard policies are being reorganized into the Operational Policy/Business Procedure (OP/BP) format to achieve greater clarity. The status of these

Box 8.1 Three Key Safeguard Management Functions

- **Clarity.** The policies require clarity with respect to overall objectives, specific procedures and processes, and benchmarks for success. To facilitate this process, QACU has prepared a safeguard criteria matrix that clarifies the requirements of each safeguard policy and relevant triggers at each stage in the project cycle.
- **Guidance.** Detailed guidance on application of policy requirements must be provided in Good Practice Notes, sourcebooks, handbooks, and internationally recognized standards and guidelines to support application of good practice throughout the project cycle. This guidance is currently available for some policies and under preparation for others, and has been developed on the basis of field experience worldwide by the Bank and others. Technical decisions regarding safeguard issues, including application of good practice, are the responsibility of national and Bank technical specialists.
- **Review and Clearance Process.** Policy and guidance cannot anticipate all possible situations associated with the design and implementation of the Bank's development investment projects, which involve a wide array of complex management and technical trade-offs. Therefore, technical specialists and task team leaders require a referral process that allows for institutional review, endorsement, and clearance of decisions. The Environmentally and Socially Sustainable Development Network and the Legal Department are working together to develop such a system for relevant and timely guidance on specific cases and for the definitive resolution of differences of opinion.

conversions is shown in Box 8.2. Of these, four policies on environment and natural resource management are completed, and the forestry policy will be revised when the Forestry Policy Implementation Review and Strategy is finalized in 2002. The two policies overseen by the Bank's legal department (LEG) have been converted and are under internal discussion (International Waterways and Disputed Areas).

Involuntary resettlement and indigenous peoples are among the more complex and controversial safeguard policies. Their conversion has generated intense interest among internal and external stakeholders. Management has recognized the importance of external consultation on all policies, but particularly on these sensitive social policies, and has provided incremental resources for external consultation and completion of the revised policies. The resettlement policy has been completed and will be sent to the Board in the fall of 2001. The indigenous peoples policy will be sent to the Committee on Development Effectiveness (CODE) in advance of proposed consultations. A draft policy on cultural property is under discussion internally.

8.1.2 Clarification and Alignment of Policies

Work is also under way, in the context of the ongoing policy revisions, to fill gaps, clarify requirements, provide clear guidelines, and ensure reasonable consistency among safeguard policies. For example, Bank management has proposed a single, uniform disclosure and consultation process. Currently, the various safeguard policies have different disclosure requirements, and in some cases disclosure requirements vary between International Bank for Reconstruction and Development and International Development Association operations, which often causes confusion for Bank and client staff (see Chapter 2, section 2). In the short term, work already initiated on the integrated safeguards assessment system will address many of these questions. In the longer term, Bank management will continue to assess whether the Bank has the right set of safeguard policies and, when gaps or shortcomings are identified, take appropriate steps.

8.1.3 Staff Guidance

A series of actions to strengthen tools, incentives, and skills has been devised to improve safeguard compliance:

Box 8.2 Conversion* of Safeguard Policies—Status

- *Environmental Assessment (OP/BP 4.01)*. Conversion completed January 1999.
- *Natural Habitats (OP/BP 4.04)*. Conversion completed; updated June 2001.
- *Pest Management (OP 4.09)*. Conversion completed; updated December 1998.
- *Indigenous Peoples (OP/BP 4.10)*. During FY99/00 Bank staff discussed an approach paper for revisions to this policy both internally and externally and a first was prepared in FY00 and discussed internally. Technical staff worked in collaboration with LEG to subsequently revise this document, and the second draft was discussed with the Regions in September 2001. External discussions are completed with submission to the Board pending.
- *Cultural Property (OP/BP 4.11)*. Conversion of the policy on cultural property builds on the experience with the resettlement and indigenous peoples policies. An oversight group made up of experts in the cultural resources management field has provided guidance to the drafting team, and the revision of the policy has benefited from both an internal review of current operational trends and a survey of international best practice. The final draft is expected to be submitted to the Board in 2002.
- *Involuntary Resettlement (OP/BP 4.12)*. Policy revised with direct participation by technical staff representing various networks. During a four-month external consultation process, the drafting team also received and reviewed nearly 300 comments from NGO representatives, resettlement researchers, and government officials from around the world. This draft was approved in October 2001.
- *Forestry (OP/GP 4.36)*. The revision of the current forestry policy follows completion of the Forestry Policy Implementation Review and Strategy and is expected to be presented to the Board in 2002.
- *Safety of Dams (OP/BP 4.37)*. Conversion completed; updated October 2001.
- *International Waterways (OP/BP 7.50)*. Conversion completed; updated June 2001.
- *Disputed Areas (OP/BP 7.60)*. Conversion completed; updated June 2001.

*Conversion of policy to the OP/BP format is intended to clarify mandatory and advisory policy requirements.

- *Help Desk*. In the interest of further strengthening and integrating the advisory work of QACU and regional safeguards experts, a Help Desk on Safeguards is being established and will become operational once a staff selection process has been completed. The Help Desk will promote consistency across the Regions in the interpretation and application of key safeguard policy provisions.
- *Sourcebooks and Guidelines on Safeguard Policies*. To facilitate interpretation and application of safeguard policies by staff, sourcebooks and guidelines on each of the safeguard policies are under preparation. Guidelines on addressing safeguard policy issues during the various stages of the project cycle are also being incorporated into a comprehensive “Safeguards CD-ROM.”
- *Training*. The extent and quality of compliance with safeguard policies depends on how well Bank staff, clients, and consultants understand the policies and their implementation and monitoring in all phases of the project cycle. The World Bank Institute, QACU, and Regions, in cooperation with clients, are supporting safeguard training actions that include mandatory training for Bank staff, development of client and consultant capacity, and regional training workshops. Major regional training activities are planned in FY01 for the Africa and South Asia Regions.

8.1.4 Applying Safeguards to Policy-Based Lending and New Instruments

As the Bank's lending portfolio changes, safeguard policies must be adapted to new contexts. Experience shows that safeguard requirements for investment projects are often not well suited to policy-based lending and community-driven development (CDD). Thus the following steps are being taken to ensure a systematic approach to safeguard policies across instruments:

- *Guidance on Safeguard Policies for Structural and Sector Adjustment Lending.* Structural adjustment loans are subject to a general Operational Directive on adjustment lending (OD 8.60), which provides broad guidance for dealing with environmental issues. Since March 1999 sectoral adjustment loans (SECALs) have been subject to the Bank's environmental assessment policy (OP 4.01). A process is under way to revise the directive on adjustment lending and convert it into an operational policy in the OP/BP format. The QACU is reviewing compliance with safeguard policies in adjustment lending, including the application of OP 4.01 to SECALs (see chapter 7, section 7.1). This work includes a literature review and a retrospective on trends in environmental and social conditionality in adjustment lending, and collaboration with the Development Economics vice presidency for research on structural adjustment and the forestry sector. The results will serve as input into guidelines for best practice for addressing environmental and social issues in adjustment lending, and will form a key part of the revised operational policy to be issued by the end of FY01.
- *Guidance on Addressing Safeguard Policy Issues in Community-Driven Development Projects.* The Bank's portfolio of operations involving community-based operations is likely to increase over the next few years. Guidelines will be developed to help Bank staff adapt the application of safeguard policies to CDD operations. They will elaborate on the "Environmental Assessment of Social Fund Projects" (*EA Sourcebook Up-*

date 24) and relevant social safeguards guidance. Development of guidelines has been initiated in the Africa Region, building on previous Bank and Regional experience in addressing safeguards in the context of social funds and related types of operations. Updated guidance on these issues will be available at the end of FY01.

8.1.5. Review and Clearance System

To simplify the application of the safeguards policies for operations and make information more accessible to management and external stakeholders, QACU and LEG are developing an integrated system of review and clearance that covers all 10 safeguard policies and their associated disclosure requirements. The system provides a link between risk-management reviews and identification of corporate risk operations and the review and oversight functions of both QACU and the Regions for safeguard functions. It will include features such as improved guidance on safeguard procedures, greater information concerning triggering of the policies, and standardization of disclosure requirements. This approach will allow for comprehensive review of safeguard policies throughout the project cycle, and will be linked with the clearance and compliance monitoring systems described earlier.

Key elements of the safeguard compliance system include:

- *Safeguard categorization.* All projects will be screened for safeguard-specific and cumulative safeguard-related risks and impacts. This process will trigger preparation for designated projects of a single, integrated safeguard assessment, following on the particular safeguard or safeguards triggered by the projects.
- *Integrated Safeguards Data Sheet.* As part of the integrated safeguard assessment system, QACU has designed an "Integrated Safeguards Data Sheet" (ISDS) covering all 10 safeguard policies. This data sheet complements the more detailed environmental and social data sheets used in each Region, and will provide a broader framework for QACU

and regional oversight and management of safeguard procedures under the integrated safeguard assessment mechanism.

- *Review process.* QACU will serve as the central, corporate “one-stop” review station to ensure that all ISDSs are complete, consistent, and meet information requirements. QACU will review the contents of each ISDS and provide feedback to the task team manager and Regional units concerning the treatment of safeguard issues and arrangements for consultation and disclosure.

8.1.6 Improved Coordination

This approach should improve standardization and coordination of the preparation and supervision of safeguard policies. However, the single safeguard assessment will not supercede current Bank (and in many cases client) requirements for preparation, review, and implementation of specialized studies, such as Environmental Assessments, Resettlement Action Plans, Indigenous People Development Plans, Pest Management Plans, and/or Dam Safety Reviews. As discussed earlier, adoption of the integrated safeguard assessment process provides an important mechanism for application of uniform disclosure and consultation requirements for all types of operations concerning any safeguard policy.

8.2 The Environment Strategy

A Bank-wide initiative undertaken between late 1999 and early 2001, the new Environment Strategy defines how the Bank will work with its clients and partners to address environmental problems as an integral part of their own sustainable development policies. The Strategy recognizes three important obstacles encountered in work undertaken to date, which echo conclusions reached in many of the EA reviews.

- *Our commitments have sometimes outpaced our capacity to deliver.* We were overoptimistic in setting environmental objectives, designing complex interventions, and targeting tight deadlines, without giving sufficient attention to the practicalities of implementa-

tion and to competing pressures in client countries.

- *The environment has yet to be fully “mainstreamed” into the Bank’s operations.* Although Bank professionals are aware of the importance of environmental issues, some have not yet been able to ensure linking them to their core task of supporting development and poverty reduction.
- *Awareness of the importance of environmental issues is still evolving in many of our client countries.* While they increasingly recognize that environmental concerns are important to make development sustainable, our clients face difficult choices in allocating scarce resources among pressing development needs, and environment often has a hard time competing with other goals.

The Environment Strategy emphasizes the importance of integrating—or “mainstreaming”—environment into country development programs, sector strategies, and investments in conjunction with the goal of improving people’s lives, development opportunities, and prospects for a sustainable future. Several key areas are targeted for improvement.

Early attention to environmental issues. EAs are now routinely used at the project level by the Bank, its clients, and its partners. It is much more difficult to address environmental and social concerns when strategic decisions are being made at the sectoral and program levels. Recognition that better environmental outcomes can be achieved at lower cost by integrating such concerns at the planning and design stages has spread slowly throughout the world. This recognition has led to an increased use of EAs at the strategic level (strategy, program, region, and sector, for example), complemented by project-specific EAs or related types of environmental planning and management actions, so that decisionmakers can evaluate development options and alternatives in a more comprehensive manner. The application of SEAs in client countries is also evolving, with encouraging examples, such as experience in South Africa and Central Europe.

Increased emphasis on supervision during project implementation. Implementation of safeguard policies during supervision is generally

weaker than compliance during preparation. The relative weaknesses in implementation of environmental action plans and delays in addressing the environmental and social aspects of project implementation have been attributed to weak borrower commitment and capacity, as well as to inadequate resource allocation to supervision. Addressing this problem also requires careful evaluation of client countries' commitment, access to resources, and skills needed to undertake the agreed environmental and social actions during the project implementation process.

Consistency in the application of safeguard policies. Problems in the implementation of policies have also been linked to perceived ambiguities in the scope, intent, and requirements of the policies among staff and management. Management is addressing these issues through a number of mechanisms, including the conversion and clarification of policies, as well as management accountabilities. A major implication of new lending instruments will be an expanded need to increase country capacity and to develop new types of monitoring approaches for Bank supervision of the application of safeguard policies.

8.2.1 Improving the Safeguard System

Reforming the safeguard system is a dynamic and incremental process that involves both the Bank and its clients in a series of actions designed to create better linkages between policies and their application to projects and programs.

Short-term priorities. In the short term, the Bank will focus on improving compliance with the safeguard policies, establishing an integrated compliance system, and improving results on the ground, as follows:

- *Strengthen compliance with safeguard policies.* The Strategy places increased emphasis on the implementation of safeguard policies, primarily through greater attention to the consistency of application across the Bank, stronger central oversight, and greater transparency in monitoring and reporting. It is committed to improving supervision, particularly the implementation of environmental management plans and other commitments related to project-level safeguards.
- *Build an integrated safeguard compliance system.* The Bank will complete the process of integrating the implementation of the safeguard policies both at the regional and central level. A major focus of ongoing work by QACU and the Regional Environment Units has been the elaboration of an enhanced compliance system that includes the use of a new instrument, the Integrated Safeguard Data Sheet, as part of the project identification, preparation, and appraisal process. The ISDS will provide for the comprehensive review of the application of all 10 safeguard policies, and will better capture potential cumulative impacts. This approach will allow the safeguard policies to be viewed in relationship to each other, reduce the risk of individual policies being overlooked in the project process, and provide for more effective disclosure of information. Following the adoption of the ISDS, priority will be given to improving coordination between environmental and social analysis of project impacts and risks.
- *Improve results on the ground.* Our ultimate objective is to improve project performance on the ground. To this end, the participation of local communities and independent organizations in monitoring activities will be increased. A comprehensive set of environmental indicators, which has been developed by the Bank over the years, will be incorporated into operational work. Fuller integration of safeguard principles within project design, and especially project implementation, ultimately requires greater reliance on national-level safeguard systems. Thus, the Bank will strive to support in-country improvement in safeguard capacity, effective implementation, and transparency in processes.

8.2.2 Responding to New Challenges

Over the long term, the Bank seeks to develop a new integrated framework to replace the current 10 free-standing safeguard policies. Development of a single unified safeguard policy would strengthen performance, provide for a consistent, broad-based approach, allow greater flexibility in

application, and permit harmonization of requirements and processes with client countries. This integrated framework will improve the Bank's performance in internalizing the environmental objectives and principles embedded in safeguard policies in several ways, highlighted below.

- *Adapting to a changing lending profile.* A gradual shift in Bank lending can be discerned toward using programmatic lending instruments, such as Poverty Reduction Support Credits (PRSCs), Adaptable Program Loans (APL), Learning and Innovation Loans, and Programmatic Structural Adjustment Loans and Credits (PSALs/PSACs). Programmatic lending instruments may involve lending for a series of projects (for example, APLs); support for policy reforms (for example, PSALs/PSACs); or approaches for low-income countries (for example, PRSCs). While most Bank projects and programs are carried out by government entities, CDD projects are implemented at the grassroots level. These new types of lending operations and instruments provide important opportunities and challenges for the innovative application of the principles of the safeguard policies in cooperation with clients and partners. In this context the Bank will develop and apply a systematic review system, enhanced analytical and diagnostic tools, guidelines for good practice, and indicators to ensure that the environmental implications of the changing lending profile are properly considered. As the CDD initiative progresses in Bank operations, greater emphasis will be placed on strengthening environmental assessment and monitoring capacities at the local level. The use of new instruments and the application of safeguard policies to these activities will require a targeted training program for Bank and client staff involved in these activities and evaluation of experiences to develop good practices and to internalize the lessons learned.
- *Focusing on client capacity and ownership.* Successful medium- and long-term environmental and social performance of clients, in both the public and private sectors, mandates mainstreaming of the principles of safeguard

policies, effective use of EA and other instruments, and client ownership of the consultation and disclosure processes. To achieve this, the Bank and its partners will need to increase their emphasis on capacity development in national and local governments, academic and applied research organizations, private sector and consulting firms, and non-governmental organizations (NGOs). These capacity-building measures should recognize the importance of national policies, laws, and procedures and seek to adapt the application of safeguard policies to local conditions. Gaps between Borrower and Bank requirements will be narrowed through initiatives focused on achieving greater levels of harmonization between Bank and client procedures. The Bank plans to assess the EA capacity and systems of our client countries and consider such capacity in the review, clearance, and monitoring process of Bank-funded projects.

- *Moving safeguard policies upstream in the decisionmaking process* by integrating them into the strategic planning processes used at the national, regional, program, and sectoral levels. This can be accomplished by improving the analytical underpinning as a routine part of Bank and client development planning processes. Increased attention will be given to early identification of issues, evaluation of alternatives, and assessment of risks at the country and sector levels. SEAs will be prepared to evaluate complex short-, medium-, and long-term environmental issues in critical sectors. This approach will support integration of safeguard policy issues during early planning stages and allow for cross-sectoral and ecosystem-based analysis. Over the next five years a program for SEAs will be introduced, SEA application will be gradually increased, and a system will be put in place to identify good practices and disseminate lessons learned.

8.2.3 Working with Partners on Coordination, Dissemination, and Harmonization

The Bank Group will continue to play an active role in working with other international financial institutions to better coordinate efforts on the

development and application of safeguard policies, dissemination of good practice, and specific measures to facilitate harmonization of policies and processes. The primary mechanism for this process is a Working Group on the Environment of International Financial Institutions (IFIs), which has an ongoing work program that includes a comparative review of policies and procedures and identification of key elements of environmental management systems. The Bank is actively cooperating to transfer experience between institutions in addressing environmental aspects of operations that use financial intermediaries. Comparable steps to improve coordination on safeguard policies with the private sector will be undertaken in cooperation with the International Finance Corporation, the Multilateral Investment Guarantee Agency, and the IFI Working Group.

8.3 Conclusions

The steps outlined here, which the Bank is in the process of taking after lengthy review, respond quite clearly to many of the weaknesses pointed out in the numerous studies and assessments cited throughout this report. Among the important advances will be efforts to make the safeguard policies—including environmental assessment—more uniform throughout all projects, thus eliminating inconsistencies and uncertainties that create confusion and have led to problems in areas such as classification, disclosure, and consultations. Also crucial are efforts to ensure that safeguards are taken into consideration early in the lending process and that they “fit” all of the Bank’s lending instruments. The Bank’s plan to work toward coordinating safeguards practices with client countries and other donors will also contribute toward a more uniform and transparent approach to the

EA/safeguards process, thereby helping all staff and stakeholders cognizant of the parameters within which the success of implementation can reasonably be judged. And, of course, continuing to build capacity in EA and safeguards in client countries will help to build the base of national actors capable of incorporating the principles that underlie the concept of social and environmental safeguards into future project planning. The Environment Strategy reinforces many of these goals by calling for a comprehensive, integrated approach Bank-wide and for more capacity building within the Bank and in client countries. It also stresses the importance of carrying out EA early in the project process, through an emphasis on strategic environmental assessment. Overall, the Strategy focuses on strengthening compliance in an effort to improve results on the ground, which is the purpose underlying both this review and the reviews included in it. It is to be hoped that the planned refinements to the safeguard system and implementation of the Environment Strategy will result in a continuation of the generally positive results reported here.

Improvements in the area of disclosure have been marked, and are likely to improve further with the new tracking system. In regard to supervision, evidence suggests that one way to increase environmental supervision efforts in a resource-constrained environment may be greater reliance on field-based local staff and consultants, who could provide more sustained supervision and follow-up, possibly within the current limited budgets. At the same time, still more attention needs to be given to building institutional capacity and awareness in borrower government, NGOs, and communities for sustainable environmental management, especially at the local level, where local staff may prove to be effective and successful.

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