

Advisory Panel Statement

Introduction

The external Advisory Panel, consisting of Julia Marton-Lefevre;¹ Bjorn Stigson;² Christian Avérous;³ Yolanda Kakabadse;⁴ and Olav Kjørven,⁵ met on May 2, 2008, at World Bank Headquarters to consider the draft IEG report, “Supporting Environmental Sustainability: An Evaluation of World Bank Group Experience, 1990–2007,” and prepared this statement afterward.

Terms of Reference

The Advisory Panel was asked to consider whether the evaluation succeeded in answering the questions it set out to examine, whether there were gaps in conclusions and recommendations, and whether the key messages were effectively communicated.

Overall Conclusions

Overall, the Advisory Panel found that the evaluation report was of high quality and contained sound findings. The panel supports the findings in relation to the following issues:

- **Mainstreaming of environment.**

The World Bank Group has yet to internalize sufficiently the environmental challenge in its operations and business. Despite many excellent achievements around the world, despite major intellectual accomplishments and many policy innovations, and despite state-of-the-art environmental safeguards, the Bank Group continues to give low de facto priority to the goal of enhancing the environmental sustainability of development. This is documented convincingly by the evaluation report, particularly in terms of the levels of financing dedicated to this purpose, and the lack of integration of a systematic environmental sustainability perspective across policy and financial instruments. For example, the Bank (International Bank for Reconstruction

and Development/International Development Association) has too often failed to translate its environment agenda effectively from upstream analytical work, via Poverty Reduction Strategy Papers and Country Assistance Strategies, through to its downstream lending operations.

- **Integrate energy and climate strategies and deploy low-carbon technologies.**

To support broad-based economic growth, developing countries will need substantial investments in infrastructure, particularly energy. The Bank Group is uniquely positioned to help countries integrate energy and climate strategies into their national development plans, and it should play a stronger role in this, in partnership with other agencies. On the financing side, the Bank Group could be more active in identifying and setting up financial mechanisms as well as further developing the carbon markets to deploy low-carbon technologies for energy access projects in developing countries.

- **Focus on environmental management through investments.**

While Bank lending is by-and-large subject to environmental safeguards to minimize negative impact, only a small fraction of lending goes directly to strengthen environmental management, advance environmentally sound growth and investment through and with the private sector, and promote transitions toward environmental sustainability in key sectors such as transport, agriculture, and energy.

- **Coordination of actions in-house and building momentum with partners.**

The Bank Group has not sufficiently acted “as one” in addressing strategic environmental challenges. In most cases, International Bank for Reconstruction and Development/International

Development Association, IFC, and MIGA have pursued, separately, what they considered to be their particular niche “in the market.” While we agree that mandates should remain distinct and clear for each of the three, greater efforts to jointly identify and pursue opportunities for synergy is expected.

The Bank Group should look beyond itself and its relations with client countries, not least in the context of developing new strategies in the environment and climate areas. The imperative of broader partnerships is recognized in the evaluation, but more reflection is needed. The reality of the environmental sustainability challenge is such that the Bank Group cannot realistically take it on in isolation from others. It must approach partnership with the United Nations, with the private sector, and with civil society in a qualitatively new and strategic way.

The Advisory Panel considers these findings to be central to the ability of the World Bank Group to influence environmental sustainability and development and recommends that these findings concerning policy and operations be addressed as a matter of urgency.

The Advisory Panel also found that the evaluation did not adequately address some strategic evaluative issues. These shall not be listed here in their entirety; however, the following areas are of particular concern to the Advisory Panel.

- More evenly represent the balance between project and strategic-level questions. While it has produced interesting findings and data related to some strategic-level issues, these are overshadowed by the heavy emphasis on project and portfolio analysis and performance.
- Provide more data on whether the Bank Group addresses the drivers for sustainability, and make recommendations on how to strengthen the Bank Group’s strategy and approach.
- Produce a comprehensive analysis of the effectiveness of the Bank Group’s performance as it relates to gender equity dimensions of environmental sustainability.
- Address the criteria with which the Bank Group makes its investment decisions, in the first

place, to meet broader environmental objectives.

- Examine how the Bank Group establishes its comparative advantage in environmental programming in relation to other players/partners in the field of environment and development, including the regional development banks, which have a distinct relationship with country governments in their regions, as well as the United Nations and international non-governmental organizations.
- Provide sufficient qualitative analysis of the breadth and depth of stakeholder/partner consultation and their views.

The Advisory Panel recommends that IEG sharpen the focus and methodology of future evaluations to include these key performance factors.

Specific Recommendations

The Advisory Panel understands and appreciates that, following its review meeting with IEG, a number of its observations have been considered and some have been adapted and incorporated into the evaluation report. The Advisory Panel would like to draw attention to some of these issues:

- The Bank Group must step up its efforts—together with other partners—to make the economic case for strong environmental action, such as by systematically showing the health benefits of environmental improvements. A Stern-like report on the economics of environmental action versus inaction should be considered.
- Given the global, watershed developments in the larger environmental field over the last 10 years, the Bank Group needs a new, transformational environmental policy that addresses today’s (known) needs and tomorrow’s (still evolving) challenges. This policy must look beyond a useful 10- to 20-year time horizon, to a 40- to 50-year time horizon as well. This time horizon is, at the very minimum, necessary to take into consideration the lifecycle impacts of investments made today, such as in the power and transport sectors.
- Recent efforts to strengthen IFC’s environmentally oriented operations and IFC’s im-

plementation of its environmental safeguards system, to ensure their effectiveness and impact, must be redoubled. IFC’s record to date is mixed.

- MIGA needs to strengthen the implementation of its environmental safeguards as well as embrace a stronger commitment to proactively “do good” as an important area of its business.
- The Bank Group should more broadly support the transfer and effective application of low-carbon technologies and promote more systematically enhanced technology collaboration among developed and developing countries.
- Small and medium enterprises are critical for pursuing sustainable economic growth and halting environmental degradation. The Bank Group needs to pay more attention to this sector and provide more support, particularly in building much needed capacity.
- Declaring that the Bank Group is a unique and special institution of knowledge and learning, a “brain trust” of applied knowledge, is not sufficient. The role of the Bank (and the entire Bank Group) as a knowledge bank must go beyond this to delivering, expanding, and testing this learning—in tandem with partners. The report has little to say about the impact of knowledge and learning in the area of environment.

The Advisory Panel recommends that the areas listed above be urgently given priority in further strategic thinking, action, and evaluation by the World Bank Group.

Conclusion: A Forward-Looking Perspective

The Advisory Panel feels strongly that the Bank Group needs to interpret the findings and recommendations of this evaluation against the backdrop of environmental, economic, and political realities. A number of environmental and natural resource challenges are now attracting the attention of heads of states and governments, as well as macroeconomists and development economists. The forthcoming climate change framework and a host of evolving climate-related funds and facilities, as well as efforts to pull the

Bank’s various forestry initiatives together, provide the ideal backdrop for setting clear conceptual and strategic priorities on environmental sustainability for the Bank Group. President Zoellick has stressed that the time has come for a transformation in the way the Bank Group approaches development. We support this view.

In this context, the Advisory Panel wishes to flag four areas of strategic importance with real consequences for policy and operational priority-setting, in the context of promoting sustainable development and poverty reduction:

- Transitioning toward low-carbon economy, coupled with expanding clean and affordable energy access for the poor
- Preserving biodiversity while improving rural livelihoods
- Improving resource productivity
- Protecting water resources, coupled with expanding access to water and sanitation.

The global environmental challenge is unprecedented and it requires collaboration among a large number of development partners, including the United Nations system, the Global Environment Facility, regional development banks, bilateral donors, the private sector, research institutions, and civil society. To succeed in implementing a transformative vision of environmentally sustainable development, partnerships are a *conditio sine qua non*. The Advisory Panel believes the most central partnership must continue to be with the client countries, but the challenge of environmental sustainability reaches beyond the “confines” of that relationship alone. Much more systematic and stronger partnerships must be built and harnessed across the entire spectrum of shareholders and stakeholders. We specifically mention a few, as follows:

- ***The United Nations.*** Over the past several decades, there has been no real concerted attempt at defining and implementing a complementary and mutually supportive approach about the roles and responsibilities of the Bank

Group and United Nations agencies in the area of environment. It is time for this to change. Beginning with climate change, but broadening the scope gradually to other areas, the Bank Group and key United Nations agencies should work out a practical and pragmatic way forward, aimed at being able to offer partner countries stronger and more strategic support. The emerging environmental crisis requires a forceful and concerted multilateral response. Countries and people deserve nothing less.

- **Development banks.** The Bank Group should develop more strategic relationships with the multilateral and bilateral development banks by building on their distinct relationships with local shareholders and stakeholders in delivering coordinated support to key environmental initiatives. The new partnership approach adopted in the design and implementation of the new climate investment funds could serve as a model for pursuing other, Bank Group/multilateral development bank-supported environmental sustainability efforts.
- **The private sector.** The importance of the private sector can hardly be exaggerated. The Bank Group must take a hard look at how it works with the private sector, and the signals it sends to the private sector about its commitment to environmental sustainability, and the opportunities and challenges involved in promoting it. The opportunities for partnership with firms and business groups at all levels are vast. Taking a truly strategic and “picky” approach is essential, as is working more seamlessly across the Bank Group. The Advisory Panel agrees strongly with the evaluation on the need to design a much more strategic approach to market transformation for environmental sustainability (including transition to low-carbon economy), something which requires coordinated work in relation to both public and private sectors.
- **Civil society organizations.** Strategic partnership

with civil society organizations and networks can greatly expand the reach, effectiveness, and legitimacy of Bank Group efforts. Many civil society organizations have a stronger technical capacity than government institutions, and can promptly react to immediate needs. While working at local or national levels, many are active networkers with similar organizations worldwide, generating and sharing information, experiences, and lessons.

- **The scientific community.** The evaluation does not state much about how the Bank Group has worked with or tapped the knowledge of the scientific community. While recognizing the progress that has been made in instituting modern knowledge management and networks in the organization, it is not clear if the Bank Group has effectively harnessed scientific knowledge to develop “cutting-edge” approaches. The Bank Group should consider options for ensuring how best to do this for the future, including the option of reestablishing a senior environmental science position.

As the international community focuses on the need to urgently address global and local environmental challenges, large amounts of resources will hopefully be made available to find solutions to these challenges. However, new resources are not sufficient. The Bank Group needs to complement them with transformational changes of its corporate culture, making environmental sustainability fully part of its development role.

The report’s evaluation provides the Bank Group with an excellent basis and opportunity for setting a new course, commensurate with the most pressing challenges of our time.

The Advisory Panel looks forward to the decisions of the governing bodies with great anticipation.