

Chairperson's Summary: Committee on Development Effectiveness (CODE)

Background

In September 2007, CODE considered the *Sector Strategy Implementation Update (SSIU): Third Review*. Part II of the report presented the implementation progress of four Bank sector strategies, including the 2001 Environment Strategy. Environmental and social sustainability has been one of IFC's strategic pillars since 2000. In April 2006, IFC updated its approach with the launch of its Policy and Performance Standards on Social and Environmental Sustainability. MIGA adopted its own Policy and Performance Standards on Social and Environmental Sustainability, modeled on the IFC policies, effective October 2007.

IEG Evaluation

The evaluation assessed the effectiveness of World Bank Group (WBG) support for environmental sustainability—in both the public and private sectors—from 1990 to 2007. It identified constraints within the WBG, including insufficient attention to longer-term sustainable development. IEG recommended the following: (1) Increase the attention to environmental sustainability in the WBG; (2) Move to a more cross-sectoral and spatially oriented approach and strengthen staff skills; (3) Improve the Bank Group's ability to assess its support for the environment; and (4) Improve coordination and consistency among the Bank, IFC, and MIGA and between the WBG and external partners.

Draft Management Response

Management concurred with several aspects of IEG's main findings, and noted that many of them reinforce important messages already captured in the Bank's Environment Strategy and recent update, or in the findings from Bank economic and sector work (ESW), internal reviews and self-evaluation, and emerging

lessons from operational experience across the WBG. Management expressed concerns over the evaluation methodology employed by IEG, the gaps in evaluated areas, and the resulting use of findings to draw broad conclusions. The metrics and evaluation scope were considered inconsistent across the institutions and, as a result, some findings, conclusions, and recommendations were not drawn from the entire set of environmental sustainability-related activities across the WBG. Therefore, on several aspects, management differed, sometimes markedly, with IEG's findings and recommendations.

General Conclusions

CODE welcomed the opportunity to deliberate on a topic of immense strategic importance for the WBG. It thanked IEG for a comprehensive, informative, and detailed paper that provided some comfort, especially regarding the increase in attention accorded to environmental sustainability in all three institutions and improvements in performance over the 15-year evaluation period. The IEG review also identified a number of areas where the performance could be

improved and crucial constraints to be addressed, particularly those related to government commitment and weak institutional capacity. The committee also appreciated management's substantive response, which detailed areas of broad agreement with the findings and recommendations, as well as several points where its perspectives diverge from those of IEG. The lack of adequate coverage in the evaluation of IFC's strategic pillar on sustainability and the limitations of the attempt to synthesize Bank Group-level findings elicited some sympathy from speakers. Yet, the committee was gratified to note that management was committed to following up on all aspects covered in the evaluation. The rich discussion covered a wide range of topics and issues, including its strategic alignment and those related to translating objectives into effective development impact, and issues related to organization and staffing.

Next Steps

The Strategic Framework on Climate Change and Development will be considered by CODE in early August. The new WBG Environment Sector Strategy will be prepared in fiscal 2010, with a concept note by spring 2009. Findings from various relevant IEG reviews over the next 12 months would be among the inputs for the new strategy. There was also a request for IEG to prepare a synthesis paper based on this report and related forthcoming evaluations that CODE felt would better serve as a basis for discussion than this evaluation.

The following main issues were raised at the meeting:

Evaluation Methodology and Scope of the Review.

Several speakers raised questions about IEG's evaluation methodology and the scope of the review, and a few noted that the evaluation could have been more focused or presented as a series of evaluations. Several speakers observed that the evaluation could have usefully included a more forward-looking approach; an analysis of aid architecture; more country-specific lessons from Country Assistance Evaluations; more preeminence to IFC's strategic pillar on sustainability, including efforts to promote energy efficiencies

through financial intermediaries; and integration of IEG's review on global programs. A speaker felt that the differences between the views of IEG and management should have been addressed up front, before initiating the evaluation. *IEG noted that the methodologies applied to examine each member of the WBG are known and well accepted, and that the available data reflect reasonably the current and historical situations prevailing in each institution. Management replied that a more in-depth discussion on evaluation methodology may be undertaken when IEG presents the Approach Paper of future evaluations, and it suggested that perhaps there should be a CODE discussion of Approach Papers for WBG evaluations.*

A member underlined the difficulties in drawing general conclusions that apply to the entire WBG, given the different approaches and businesses of IFC/MIGA and the Bank. Another member felt that since the evaluation was not intended to make comparisons given the different group of clients and environmental standards, an artificial comparability between methodologies should not be imposed. This member found that the weakness was in drawing conclusions from the generalization of individual case studies, and the differences between evaluation and a general policy-advocacy role. In this vein, she added that any conclusion should be drawn from findings of these cases, and some policy advocacy may not be directly relevant to the cases.

New Environment Strategy. Speakers felt that management should take into account some of IEG's key findings in preparing the new strategy, including cross-sectoral integration (such as climate change, water management, energy, and transport) across the Regions. Some speakers raised questions and comments about timing and articulation between the preparation of the Strategic Framework on Climate Change and Development, and the new environment strategy; alignment with the WBG strategy; high expectations about the WBG's role in environmental management; and use of knowledge of the scientific community. It was highlighted that environment is an integral part of the economic growth and development agenda. In this regard,

the need to consider updates of other environment-related strategies, such as forestry or urban development, and due diligence and safeguard mechanisms was mentioned.

Some members noted that the formulation of the new strategy should involve extensive consultations with external stakeholders—governments, the private sector, and development partners. Given IEG findings that the WBG impact and efforts varied over time and across themes and countries, it was suggested that the new strategy should put more emphasis on operational changes and business modalities, establish internal control mechanisms, and include indicators to monitor its effective implementation. Questions were raised about the Bank's role in relation to other players in the international arena and the existence of two sets of social and environmental standards in the WBG.

Country Focus. Members agreed with IEG's recommendation on the need for a fully integrated WBG approach to environmental issues in country programs. In this regard, the WBG should strengthen dialogue with its clients to mainstream environmental sustainability in Country Assistance Strategies (CASs) and focus on the regional context, like the case of the European Union. One member sought further clarification on implementation of this recommendation. She stressed the importance of the Bank's advisory role in encouraging the consideration of environmental programs in CASs and of avoiding additional conditionalities to clients. Several speakers remarked that the WBG approach should be demand-driven and based on the countries' ownership and institutional capacity. In addition, the WBG's role in raising awareness on the importance of environmental sustainability in client countries was highlighted.

Following the proposed Chairperson's Issues Note, some members commented on the need for a dynamic, flexible, and differentiated approach to meet the needs of different categories of clients—low/middle-income countries or fragile states. The various challenges of addressing the environmental agenda were noted, including those related to policy support lending, particularly Development

Policy Lending, strengthening countries' institutional capacity, and the Bank's leadership in setting and promoting environmental best practices. Further clarification was sought on IEG's analysis of the Bank's role in assisting clients to anticipate and mitigate the effects of natural disasters (floods or droughts, for example).

WBG Coordination. Speakers underscored the need to improve collaboration within the WBG to strengthen the effectiveness of its assistance at the country, regional, and global levels. They emphasized that organizational structure, staffing and incentives, and internal constraints should be considered in addressing the lack of an integrated WBG approach. One member felt that important emerging lessons from across the WBG's support to the public and private sectors should be incorporated to achieve greater environmental sustainability. One speaker stressed the importance of having more joint Bank-IFC-MIGA CASs.

Global Public Goods. Some members felt that global issues cannot be addressed purely at the national level. In this vein, the question was whether the Bank Group is the most appropriate institution to address this matter, given that other development partners, such as the UN, should play the leading role.

Monitoring. Speakers agreed with IEG's recommendation on the need to improve monitoring of impact of WBG's interventions, shifting from an input to an output indicators approach and setting clear benchmarks to measure progress in areas such as climate change and development. One speaker raised the related question of how to balance the impact of emissions compared to the overall developmental benefits of a project. He cautioned against embracing a certain methodology for measuring carbon footprints. One member, however, felt that carbon footprint measurement was not the key to address environmental sustainability, because it was not a question of lack of awareness, but of limited alternative viable ways of modern human life and production.