

Environment Strategy Implementation

End-Year Progress Report for FY'02

Background

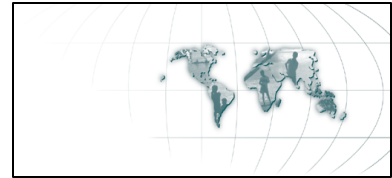
Fiscal Year (FY) 2002 was the first year of implementing the Bank's new Environment Strategy—*Making Sustainable Commitment: An Environment Strategy for the World Bank*. The Strategy was formulated to re-focus the Bank's activities towards better supporting sustainable development by enhancing the quality of people's lives, improving the quality of growth, and protecting the quality of the global commons. Implementing the Strategy required improvements in three key areas: (i) analytical and advisory activities (AAA); (ii) project and program design through the mainstreaming of environmental considerations; and (iii) the safeguard system. To assist the implementation of the Environment Strategy, the Management Committee endorsed corporate funding for the Mainstreaming Fund for Environment (MFE) in the amount of \$1.6 million for FY02 as part of the GPG (Global Public Goods) Incentive Fund.

This end-of-year report summarizes progress in the implementation of the Environment Strategy. The following text highlights key achievements in FY02 and identifies challenges for FY03. *Table 1* reviews progress according to the implementation matrix of the Strategy.

1. Strategy completion, dissemination, and institutional realignment

During the first year of the Strategy's implementation, key achievements included the following:

- The full *Strategy paper* was published in October 2001, and was disseminated internally and externally. A user-friendly *Strategy Summary* has been published and translated into Chinese, French, Russian and Spanish. A *CD-ROM* (including the full version of the Strategy, background papers, and other relevant documents and links) was also prepared, and distributed. The various versions of the Strategy paper and background material have been also made available through the web. In addition, the Environment Department (ENV) launched a series of *Environment Strategy Papers* and *Environment Strategy Notes* to focus on key issues and good practices in strategy implementation. A series of *Strategy Implementation Roundtables* has also been initiated to facilitate a dialogue across regions.
- Over the last year, numerous efforts have made to discuss the key messages of the Strategy with Bank staff, client countries, and development partners; and to improve partnerships in order the shape dialogue on sustainable development leading up to the *World Summit on Sustainable Development in Johannesburg*. The Bank has contributed to the summit with analytical work and evaluations on "Linking Poverty and Environmental Degradation", "Financing for Sustainable Development", "Environment and the Millennium Development Goals", and "The World Bank and Agenda 21."
- *Business Plans* have been prepared by all Regions and the Environment Anchor to align the work programs with the Strategy, and to facilitate regular monitoring and reporting. Strategy implementation coordinators were appointed in most Regional Environment Units, and a Strategy Team has been established in ENV to coordinate strategy implementation. A framework for monitoring and reporting has been prepared, and a new environmental database will enhance access to environmental portfolio information.
- As part of its institutional realignment, Green Awards were launched in FY02, in an effort to create incentives. Three country directors and five project teams won the 2002 Green Awards. In addition, through training and replacement, steps have begun to be taken to adjust the skills mix within the Environment Family. A draft strategic staffing plan has been prepared by the ENV Board.



2. Enhancing mainstreaming and strengthening AAA

As the Strategy recommended, our efforts have focused on improving the mainstreaming of environmental issues—through improved analytical tools and a proactive efforts—into Poverty Reduction Strategy (PRSP) processes and country assistance strategies (CASs).

- In line with the recommendations of the Strategy, regional environmental units have begun to provide *upstream inputs to PRSP and CAS preparation processes* in priority countries. Examples include input to CASs for Algeria, Bosnia and Herzegovina, China, Croatia, Djibouti, Egypt, Iran, Kyrgyz Republic, Macedonia, Mongolia, Morocco, Turkey; to PRSP processes in Albania, Azerbaijan, Mongolia, and Nigeria; capacity building workshops on poverty-environment links in several PRSP countries including Albania, Azerbaijan, Ethiopia, Georgia, Ghana, Kenya, Lesotho, Nigeria, Malawi, Mongolia, Mozambique, Sierra Leone, Tanzania, Uganda, and Zambia. Ex-post reviews of environmental mainstreaming in CASs and PRSPs have been completed, indicating gradual improvement in the reflection of environmental issues over time.
- As recommended by the Strategy, the concept for *Country Environmental Analysis (CEA)*—an upstream diagnostic analytical tool—has been developed and broadly discussed. A workshop on CEAs was held in May 2002 –and involved the active participation of bilateral and multilateral partners, NGOs, and clients. CEAs have been launched in several countries including Egypt, the Indian states of Andhra Pradesh, Karnataka, and Uttar Pradesh, Tunisia, and the Federal Republic of Yugoslavia.

The Mainstreaming Fund for Environment (MFE) has helped accelerate the mainstreaming progress. It has been seen as a very useful instrument for addressing corporate priorities in a systematic way, mainstreaming the environmental agenda into Bank operations, and making adjustments in workprograms and skill mix. In particular, the MFE has helped introduce CEA and cross-sectoral initiatives. Despite initial delays in budgetary transfers, in the first half of FY02, 89 percent of the MFE funds had been disbursed by the Regions, and Environment Anchor by the end FY02.

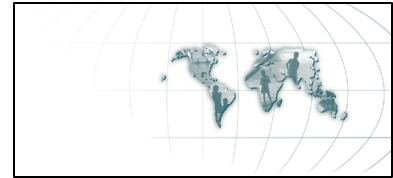
3. Improving project and program design

- In connection with the revamping of the sector codes to classify Bank activities, ENV worked with OPCS (Operations Policy and Country Services) to prepare scopenotes for environmental themes, to review the results of the new coding system, and to assist task team leaders in classifying projects. An assessment of the new coding system indicates a better identification of environmental objectives and components in both lending and non-lending activities. A review of lending data under the new coding system has also revealed, however, weaknesses in the integration of environmental policy measures into adjustment operations.
- Several regions have undertaken measures to improve the performance and development effectiveness of environmental projects and programs, and to integrate environment into sectoral operations, for example incorporating air quality improvements through transport projects and promoting energy efficiency through energy sector reform projects. Several Regions have started to systematically review the links between monitoring indicators in projects and the Millennium Development Goals.
- The fourth QAG (Quality Assurance Group) Quality at Entry report shows 100 percent satisfactory rating for environment projects. Two Environment projects –the Mulanje Mountain Biodiversity Project in Malawi and Eco-Markets Project in Costa Rica –were listed as “highly Satisfactory”.

4. Improving the safeguard system

The following are key highlights of progress made in FY02:

- The new operational policy on Involuntary Resettlement was adopted in December 2001. In addition, extensive external consultations have been conducted on the Indigenous Peoples and Physical Cultural

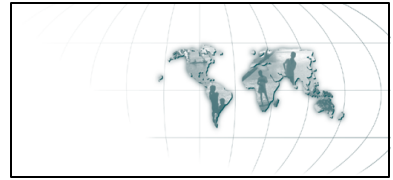


Resources policies to inform the draft policies to be presented to the Bank's Board of Directors in the coming year.

- The new public disclosure policy, effective since January 1, 2002, has increased the transparency of the work on safeguard policies. According to the policy, category A and B environmental assessment reports, as well as Resettlement Action Plans and Indigenous Peoples Action Plans, are now available to the public in client countries and at the InfoShop before appraisal of Bank-funded projects.
- The integrated safeguard system and compliance tracking system have been established and mainstreamed into Bank operations. Safeguard policies have been integrated into project supervision reports, and coordination and consistency across Regions has been improved through the establishment of a multi-departmental team (Safeguard Management And Review Team – SMART). An internal audit of the safeguard system has confirmed that the new system is operational.
- Safeguards risk assessment exercise have been completed by all Regions. A QACU (Quality Assurance and Compliance Unit) focal point has been appointed to coordinate the corporate risk assessment work. QACU is providing operational support on critical corporate risk projects.
- In FY02, a comprehensive safeguards training program was implemented for both Bank staff and clients/partners. The training plan was significantly enhanced in the second half of the year to address a higher-than-anticipated demand. Over the year, 94 safeguards training sessions of various duration were delivered. More than six hundred Bank staff were trained through 63 sessions on safeguard policies. For clients and partners, 28 training sessions on safeguards learning and outreach activities were organized in Bangladesh, Brazil, Cambodia, Canada, China, Colombia, Ecuador, France, Ghana, Guatemala, India, Indonesia, Iran, Kenya, Lao PDR, Lebanon, Nepal, Peru, Philippines, Sri Lanka, Tanzania, Tunisia, Uganda, and at the Headquarters in Washington DC. The 1,104 participants in these sessions represented a variety of stakeholders including government officials, academicians, private sector, and civil society groups.

Key areas of focus for FY03

- *Improving AAA* : Strengthening environmental AAA was identified as one of the focus areas in the Strategy. In this area, considerable work is needed to strengthen the role of environmental ESW (Economic and Sector Work) in mainstreaming—particularly in the context of PRSPs—enhance ESW quality, and improve monitoring of AAA trends.
- *Guiding Country Environmental Analysis (CEAs)*: The first year of implementation concentrated on methodology development, lessons learned, and information-sharing with other organizations on country diagnostic work. In FY03, Regional business plans list the completion of 6 CEAs, and the initiation of 6 new ones. Examples include Ethiopia, Rwanda, Yugoslavia, ECA countries EA study, Dominican Republic, Egypt, Tunisia, Morocco, Iran, and India (UP, AP and Karnataka). In order to assist these CEAs, guidance notes and toolkits for various CEA components are being designed, and collaboration with development partners discussed and piloted.
- *Integrating environment into PRSPs* still remains a challenge. For FY03, regional business plans indicate PRSP inputs to fourteen countries including Madagascar, Cambodia, Laos, Mongolia, Vietnam, Georgia, Kyrgyz Republic, Bosnia, Macedonia, Yemen, Bangladesh, Pakistan, Nepal, and Sri Lanka. An important challenge for FY03 will be to integrate environmental reviews into Joint Staff Assessments (JSAs), and follow-up lending and non-lending programs.
- *Environment in Policy and Adjustment Lending*: Environmental objectives and components are scarcely being incorporated into adjustment operations. Addressing this issue will require putting into place a systematic way of integrating environment into policy lending.



- *New classification system* : Guidance notes have been prepared to assist in identifying environmental and natural resource management themes in Bank's lending and non-lending activities. However, there is a need to supplement this by providing targeted training to task team leaders and other relevant staff to ensure accurate classification. By defining the '*environmental and natural resource management*' portfolio, regional environmental units and the ENV Board will be able to better monitor the performance and quality of both lending and non-lending activities.
- *Responding to WSSD*: The World Summit on Sustainable Development is currently going on in Johannesburg, South Africa. During this summit, environmental priorities at local, national and regional levels will be discussed. We will need to tailor our current programs and priorities in response to the outcomes emerging from the WSSD.
- *MFE Allocations*: For FY03, MFE funds have been directly allocated to regions. With this decentralization of MFE funds, significant challenges emerge in providing corporate oversight as to how funds are used. Feedback from regional environmental units indicate that the use of these funds for originally approved criteria is not always recognized.