

The World Bank Group

2010 Environment Strategy

Analytical Background Papers

Implementation of Environmental Policies

Ernesto Sanchez-Triana

Leonard Ortolano

Giovanni Ruta

Ghazal Dezfuli

Rahul Kanakia

March 2011

List of Acronyms

ADB	Asian Development Bank
ASEAN	Association of Southwest Asian Nations
BP	Bank Procedure
CDDs	Community Driven Development Projects
CEQ	Council on Environmental Quality
CFR	Code of Federal Regulations
CODE	Committee on Development Effectiveness
CSO	Civil Society Organization
DPL	Development Policy Loan
EA	Environmental Assessment
EAP	East Asia and the Pacific
EBRD	European Bank for Reconstruction and Development
ECA	European and Central Asia
ED	Executive Director
EFA	Environmental Flow Assessment
EHS	Environment, Health, and Safety
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIS	Environmental Impact Statement
EMP	Environmental Management Plan
ENV	Environment Anchor
ESSD	Environmentally and Socially Sustainable Development
FIs	Financial Intermediaries
FONSI	Finding of No Significant Impact
GSDPR	General Services Department Corporate Procurement Unit
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion Report
IDA	International Development Association
IDB	Inter-American Development Bank
IEG	Independent Evaluation Group
IFC	International Finance Corporation
INF	Infrastructure Network
ISDS	Integrated Safeguards Data Sheet
ISR	Implementation Supervision Report
LCR	Latin America and Caribbean
LEGEN	Environmental and International Law Unit of the Legal Department
MAR	Management Response
MDB	Multilateral Development Bank
MIGA	Multilateral Investment Guarantee Agency
NEPA	National Environmental Policy Act

NGO	Non-Governmental Organization
OD	Operational Directive
OED	Operations Evaluation Department
OP	Operational Policy
OPCS	Operational Policies and Country Services
OPE	Overall Performance Evaluation
PCN	Project Concept Note
PMU	Project Management Unit
PwC	PricewaterhouseCoopers
QACU	Quality Assurance and Compliance Unit
QAG	Quality Assurance Group
QC&CR	Quality Control and Compliance Review
REA	Rapid Environmental Assessment
RSA	Regional Safeguards Advisor
SDN	Sustainable Development Network
SSIU	Sector Strategy Implementation Update
SWAPs	Sector-Wide Approaches
ToR	Terms of Reference
TTL	Task Team Leader
UNEP	United Nations Environment Program
WB	World Bank
WBG	World Bank Group
WHO	World Health Organization

Table of Contents

Executive Summary	ix
1. Introduction	1
1.1 Introduction	1
1.2 Objective.....	2
1.3 Report Structure.....	2
1.4 Methodology.....	2
1.5 Survey of Bank Staff	3
2. Environmental Safeguards within an Updated WBG Environment Strategy	4
2.1 Introduction	4
2.2 Evolution of the Bank’s Environmental Safeguards System	4
2.3 Safeguards as a Tool for Environmental Mainstreaming	5
2.4 Mitigating Negative Environmental Impacts: the “Do No Harm” Approach	7
2.5 Enhancing Positive Environmental Impacts	8
2.6 Building Environmental Management Capacity.....	9
2.7 The 2001 Environment Strategy and Challenges to the “Do No Harm” Model of Safeguards	11
2.8 Opportunities	13
2.9 Conclusion	14
3. Enhancing Safeguards Implementation	15
3.1 Introduction	15
3.2 Current Staffing and Skills Mix.....	15
3.3 Environmental Safeguards Specialists’ Staffing and Skill Levels	19
3.4 Options for Resolving Organizational Challenges in order to Enhance Safeguards Implementation	24
3.5 Solidifying the Bank’s Parallel and Complementary Systems for Safeguards Support and Compliance	28
3.6 Conclusion	29
4. Training and Certification.....	31
4.1 Introduction	31
4.2 The Current Safeguards Training Regime	31
4.3 Characteristics of an Expanded Training Program	32
4.4 Expanding the Scope of Safeguards Training.....	33
4.5 In-Depth Training to Enhance the Skills Mix of the Safeguards Support Staff	35
4.6 Conclusion	38
5. Options for Clearer Environmental Categorization.....	40
5.1 Introduction	40
5.2 Evidence of Mis-Categorization	40
5.3 Checklists: A Short-Term Measure to Improve Categorization.....	41
5.4 Aids to Categorization Based on the U.S. National Environmental Policy Act Regulations.....	41
5.5 Expert Systems as an Aid to Categorization.....	45
5.6 Risk-Based Approach to Categorization.....	46
5.7 Conclusion	47
6. Tracking Costs and Benefits of Safeguards Work	49
6.1 Introduction	49
6.2 Measuring Performance – Formal Requirements to Measure Environmental Outcomes and Insights from the WBG’s Environmental, Health, and Safety Guidelines	49
6.3. Tracking Costs of Safeguards Implementation	51
6.4 Going Beyond Monitoring Effectiveness: Estimating Monetary Benefits of Safeguards Implementation	52
6.5 Conclusion	54
7. Towards a Strengthened Sustainable Safeguards Framework.....	56
7.1 Introduction	56
7.2 Prescriptive Policies versus Principles.....	56
7.3 Efficient and Effective Instruments for Mitigating Negative Environmental Impacts	59
7.4 Moving towards Environmental Sustainability.....	63

7.5	Incorporating Positive Environmental Impacts in Projects	64
7.6	Strengthening Client Capacity	65
7.7	Conclusion	66
8.	Conclusion and Recommendations.....	68
8.1	Introduction	68
8.2	Lessons Learned from the Examination of Safeguards.....	68
8.3	Strengthening the Sustainability of Environmental Safeguards.....	73
8.4	Conclusion	74
	References	76

List of Tables, Figures, and Boxes

Table 1: World Bank Safeguards Policies

Table 2: 2001 Environment Strategy Implementation and Monitoring Index for Improving the Safeguards System

Table 3: Distribution of Safeguards Specialists

Table 4: Indicated Values for Treated Sanitary Sewage Discharges

Figure 1: World Bank Infrastructure Lending, FY03-FY09

Figure 2: Number of Projects per Safeguards Specialist by Region

Box 1: Framework for Action to Mainstream Environmental Flow Assessment

Box 2: India – Dissemination of Good Practices in India’s Transport Sector Highway Projects

Box 3: India – The Punjab Rural Water Supply and Sanitation Project

Box 4: Argentina and Paraguay – Yacyretá Hydroelectric Project

Box 5: Colombia – Guajira Water and Sanitation Infrastructure and Service Management Project

Box 6: Ecuador – Enhancing Environmental Impact Assessment Capacity

Box 7: Bhutan – Strengthening Environmental Safeguard Policies

Box 8: Turkey – Environmental Sustainability and Energy Sector Development Policy Loan

Box 9: Morocco – Solid Waste Development Policy Loan

Box 10: Morocco – The Oum Er Rbia Sanitation Project

Box 11: Pakistan – Punjab Irrigation Development Policy Loans

Box 12: What is a Safeguards Specialist?

Box 13: A Proposed Sample Test for Safeguards Certification on the Natural Habitats Policy (OP/BP 4.04)

Box 14: Best Practice Dissemination in the Africa Region

Box 15: Senegal – Alternative Instruments for Environmental Policy

Box 16: Peru – Environmental Management Tools to Complement the EIA

Box 17: EU Accession Countries Systems Not Structured along Bank Requirements, but Effective

Box 18: China – Engineering Codes as an Effective System for Mitigating Negative Environmental Impacts for Highways

Box 19: India – Haryana Power Sector Improvement Project

Box 20: Colombia – Santa Fe I Water and Sewerage Loan

Box 21: Pakistan – Sindh Education Sector Reform Program

Box 22: Jordan. Reducing Energy and Water Usage

Box 23: Panama. Building Environmental Management Capacity at the Ministry of Public Works

Acknowledgements

The task team included Giovanni Ruta, Yewande Awe, Leonard Ortolano, Ghazal Dezuli, Domenico Lombardi, and Ana Maria Salamanca (ENV), Elena Correa (SDV), Adriana Jordaneva Damianova (ESCC3), Charles Di Leva (LEGEN), Cecilia Belita (SASSD), Hocine Chalal and Monica Dorhoi (MNACS), Glenn Morgan and Frank Fragano (LCSDE), Yewande Awe (ENV), Paula Posas and Juan Quintero (EASSD), Rafik Hirji (AFTWR), Javaid Afzal, Shakil Ferdousi, Malcolm Jansen, Santiago Enriquez, Rahul Kanakia (SASDI), and Ernesto Sanchez- Triana (TTL).

The peer reviewers for the concept note included Jack Stein, Bill Rahill and Reidar Kvam (IFC), Tracy Hart, Leonard Ortolano (Stanford University), and Alnoor Ebrahim (Harvard University). The peer reviewers at the decision meeting included Rafik Hirji (AFTWR), Nagaraja Rao Harshadeep (AFTEN), and Rob Verheem (Netherlands Commission for Environmental Assessment).

Written comments were received from Stephen Lintner (QACU), Adriana Jordaneva Damianova (ESCC3), Herbert Acquay (SASDI), Jon Strand and Michael Toman, (DECEE), Sonia Chand Sandhu (SASDI), Glenn Morgan and Frank Fragano (LCSDE), Randal Brummett (ARD) and Monika Huppi and Anis Dani (IEGWB).

The analytical work was completed under the supervision of Mary Barton-Dock, Warren Evans, Michele de Nevers, and Sari Sorestrom (ENV) and the Environment Sector Board.

Executive Summary

A. Introduction

1. The Bank's environmental agenda has evolved gradually since the 1970s. During the 1970s and 1980s, the main focus was on mitigating the potential environmental damage associated with investment projects using environmental impact assessments (EIA). This approach was formalized in the Bank's environmental assessment (EA) requirements, which today consist of a set of individual environmental policies and procedures. While the first formal statement of the Bank's safeguards dates back to 1989, the safeguards were debated extensively among the Bank's shareholders and stakeholders over a long period prior to approval. In the early 1990s, the Bank increased the number of environmental staff so that it could implement the policy then known as Operational Directive (OD) 4.01 Environmental Assessment.¹

2. In 1999, OD 4.01 was converted to Operational Policy 4.01 and made part of a suite of safeguard policies on protecting natural habitats, physical cultural property, and indigenous and vulnerable populations. This was part of a gradual strengthening of the Bank's environmental management systems during the 1990s. By this time, the safeguard policies had evolved into mandatory processes that were an explicit part of the Bank's workflow for designing and approving projects.² Establishment of the safeguards framework also led to a reorganization of environmental responsibilities within the Bank. Since 1999, the Quality Assurance and Compliance Unit (QACU) and the Environmental and International Law Unit of the Legal Department (LEGEN) have both served as reference units for safeguards issues. QACU has been called on to provide guidance on safeguards policies, to advise on complex projects, to operate a Safeguards Help Desk, and to conduct safeguard-related training. Regional Safeguards Advisors (RSA), who generally report to QACU, are responsible for approving the categorization and environmental assessment documentation for each project in his or her region.

3. In 2001, the Bank's Environment Strategy explained that “[t]he overarching objective of the safeguard system is to support the development efforts of our client countries in a manner that is environmentally and socially sustainable” (World Bank 2001, 19). The current safeguards framework consists of six environmental policies, two social policies, two legal policies, and an additional policy of public disclosure. These policies and their associated procedures integrate environmental and social concerns in the design and implementation of Bank-supported activities to promote sustainable development.

4. When the Bank instituted its safeguards framework in the 1990s, it was the leader in environmental management among multilateral development banks (MDBs). Its commitment to requiring assessment and mitigation of potential environment harms became a model for other MDBs, most of which rapidly created analogous safeguards systems. The updated World Bank Group Environment Strategy intends to move beyond safeguards and environmental mainstreaming, as emphasized in the 2001 Strategy, toward improving the environmental sustainability of the Bank's portfolio. A more holistic concept of environmental sustainability is being advocated in this context, one that involves: (1) avoiding harm and managing risk in projects, (2) strengthening environmental practice and attention to opportunities for positive impacts, and (3) adding to World Bank clients' capacity to carry out environmental management in

¹ Nielson and Tierney 2003; according to QACU: “The Safeguard Policies were developed in the 1980s and 1990s to address the general absence of corresponding Borrower safeguard systems (legal frameworks and implementing institutions), a condition that produced instances of severe adverse outcomes for the environment and project-affected peoples in a number of well documented and publicized Bank-supported projects. At the time of their initial formulation, it could be said that the Safeguards reflected primarily the values of the donor countries...[s]ince that time many if not most Borrowers have adopted and, to varying degrees, have implemented legally binding Safeguard systems that are similar if not fully equivalent to the Bank's environmental Safeguard Policies, often with technical support from the Bank and other donors.” Lintner 2011: 2.

² Boisson de Chazournes 2000.

the absence of World Bank support, over the long term. Though these principles are embedded in the safeguard policies, in practice the “mitigating negative impacts” aspect of the policies has remained dominant. Building on lessons learned in the past ten years and feedback from evaluations, governments, and civil society organizations, this strategy is advocating measures for improvements to each of these three important areas. The nature of these improvements will be expanded on later in this document.

5. In addition, the analytical work was prepared at a time when the World Bank Management has committed to undertake a two-year global review of good practices and consultations to address some of the main gaps and weaknesses identified in the Independent Evaluation Group (IEG) 2010 evaluation of the Bank’s safeguard policies. This analytical work also has the potential to inform the global review, as it identifies options for enhancing safeguards implementation and sustainability in order to reflect evolving good practices and respond to changing lending profiles.

6. The rest of this summary is divided into three sections. First, a brief review of progress on the 2001 Environment Strategy objectives and targets is presented. Next, lessons learned from experience with safeguards implementation, evaluations, staff, and stakeholders are briefly summarized. Lastly, recommendations for the new strategy are explored.

B. Progress on Objectives and Targets Set Out in the 2001 Environment Strategy

7. The 2001 World Bank Environment Strategy recognized that the safeguard system is an important tool for integrating environmental and social concerns into programs and projects. Since the 2001 Strategy, the Bank’s safeguard policies have been invoked as a tool for “environmental mainstreaming,” which refers to the extent to which environmental concerns are “fully internalized into all Bank activities and the extent to which environmental activities supported by the Bank make a difference in client countries’ own environmental sustainability efforts.”

8. The safeguard policies have provided an entry point for environmental mainstreaming.³ For example, since the Bank’s environment policies do not provide explicit technical or procedural guidance on the allocation of water for ecosystem needs or environmental water requirements, the Bank’s Water Anchor, in partnership with the Environment Department, identified the need for carrying out environmental flow assessments. The Bank’s Water Anchor and Environment Department took advantage of the 2001 Environment Strategy to jointly promote “environmental mainstreaming” in the water sector. From 2002 onwards, the Water Anchor developed the Water and Environment Technical Notes, which provide the foundation for carrying out an environmental flow assessment in Water Resources Policies, Plans, and Projects in high-risk operations (such as the Lesotho Highlands Water Project and the Lower Kihansi Environmental Management Projects). The Water Anchor also increased engagement with the global conservation community and provided global leadership in this complex and highly contested area of water resources planning and development. To this end, the Water Anchor produced Knowledge Products and analytical work—key tools supporting the mainstreaming of the environment in water resources planning and decision making—and recommended a framework of action for mainstreaming

³ The argument that safeguard policies have provided an entry point for environmental mainstreaming has been developed by Tlaiye and Awe (2010) in the Environment Strategy Background Paper on “Lessons from Environmental Mainstreaming: Towards Environmental Sustainability.” This view is contested by QACU. According to Lintner (2011, 4): “Safeguard Policies are not designed to be an “entry point” for “mainstreaming” technical solutions to environmental impacts, but rather to set forth acceptable outcomes (“objectives”) and procedural mechanisms (“operational principles”) that are considered essential to attaining those objectives. If the Safeguard Policies need revision it is not because they do not generate technical solutions to all possible environmental or social issues, but rather because Safeguard practitioners, including many Borrowers, have evolved alternative procedural mechanisms for attaining the objectives of the Bank Safeguard policies (thus presumably diminishing the “essential” nature of what are effectively Bank-centric procedural requirements).”

environmental flow assessments in the planning and preparation of high risk water resources operations and policy dialogue at the Bank.⁴

9. The mitigation of negative environmental impacts is the main goal of the Bank's environmental safeguard policies. However, in addition to ring-fencing Bank financed projects, the implementation of the Bank's safeguards have helped build capacity in implementing agencies for mitigation of negative impacts. In several countries, the safeguards work has been systematized and disseminated at the sectoral level (Boxes I and II). Standardized terms of reference for environmental management plans and integrated pest management plans have also been developed at the sectoral level.

Box I: India – Dissemination of Good Practices in India's Transport Sector Highway Projects

Between 2002 and 2004, the Bank produced a collection of 20 self-contained dissemination notes summarized in a report covering a wide range of topics and lessons learned in managing environmental and social concerns in the highway projects in India. A follow-up analytical work titled *Strengthening Institutions for Sustainable Growth in the Highways Sector*, undertaken as part of the 2008 India Country Environmental Analysis (CEA), analyzed and recorded several examples of best practice. These analytical products have been widely disseminated throughout India.

Source: Excerpt from Sonia Chand Sandhu,

Box II: Morocco – Solid Waste Development Policy Loan (DPL)

The Bank developed a series DPLs in the municipal solid waste sector in Morocco. The DPLs provided a conduit for engaging the Moroccan government in systemic changes and improvement in the national EIA system. In particular, following a thorough analysis of the national EIA system, both regulatory and institutional improvement measures were identified and agreed upon with the Moroccan government. The main measures consisted in the enactment of a decree introducing public consultation as part of the EIA process and the establishment of regional EIA committees to facilitate the review of the EIA reports for medium size projects at the local level.

Source: Excerpts provided by Hocine Chalal and Monica Dorhoi.

10. Evidence suggests that the Bank's environmental practice has taken advantage of safeguards policies to incorporate positive environmental components during preparation and project design (beyond mitigation of potential harm from project activities). There are a number of "beyond safeguard compliance" examples to demonstrate that the Bank's safeguards polices provide an entry point for environmental specialists to promote the inclusion of positive environmental impacts as goals in sectoral projects (see Box III).

Box III: Colombia – Guajira Water and Sanitation Infrastructure and Service Management Project

The Colombia Country Environmental Analysis had identified inadequate water supply sanitation and hygiene as one of the most pressing environmental priority problems in Colombia. During project preparation, the environmental safeguards work found that child mortality, morbidity, and malnourishment were associated with the incidence of diarrhea-related diseases in the Wayhu indigenous communities in La Guajira. Environmental safeguards became the entry point for including a component on hand washing and education for hygiene and water resources management. The pilot approach includes activities for the establishment of community-based institutional arrangements for sustainable management of investments, along with education for hygiene and water resources management, leveraging the traditions and cultures of the indigenous Wayhu communities.

Source: World Bank 2007f

11. Working under the leadership of client countries and with other international financial institutions, donors, and NGOs, the Bank has helped to build environmental management capacity at the national level. With strengthened capacities, countries are able to manage the environmental impacts of projects even after

⁴ The examples on environmental mainstreaming by the Bank's Water Anchor were provided by Rafik Hirji.

Bank support has concluded; this capacity is also likely to be used for other projects that are not funded by the Bank (see Box IV).

Box IV: Bhutan – Strengthening Environmental Safeguard Policies

During the preparation of the Bhutan Second Rural Access Project, there was concern within Bhutan that a project-by-project and sector specific approach to use the Bank’s environmental safeguard policies was of limited benefit, and did not offer the appropriate scope to address safeguard concerns in a more systemic and holistic manner. Environmental safeguards practice became the entry point for a dialogue with the Government of Bhutan (GoB) on capacity building in environmental assessment. The GoB requested Bank’s support for a multi-sectoral approach for updating of Bhutan’s overall environmental safeguard policies and strengthening its capacity to effectively implement them. To support GoB’s request, the Bank undertook analytical work aimed at assessing Bhutan’s overall environmental safeguard system, beyond the narrow project-by-project approach, as proposed in the Bank’s country systems pilots. The overall country environmental safeguard review provided an overall assessment of Bhutan’s environmental safeguard system. It provides a broad overview of some key legal, policy, and institutional challenges and highlights some options for possible future action. The analytical work looked at the equivalence and acceptability of Bhutan’s relevant policies on Environmental Assessment, Natural Habitats, Forests, Physical Cultural Resources and Safety of Dams. The Bank was also able to use an IDF grant fund to help the government in updating its Environmental Assessment Act and Regulations, and revise its environmental codes of practice for a number of sectors. The IDF grant supported the updating of the Environmental Assessment Act of Bhutan, which is expected to be approved by the GoB. Regulations for Environmental Clearance of projects and eight codes of environmental practice have been revised.

Source: Excerpt provided by Malcolm Jansen

12. The 2001 Environment Strategy recommended improving the safeguards system by: (1) strengthening the implementation of safeguards policies, including instituting a tracking system for safeguards compliance; (2) reviewing the current safeguards policies and evaluating their application to new lending instruments and changing approaches to development assistance; and (3) working with client countries and other development institutions to review and strengthen client safeguard capacity and harmonize safeguard procedures. The medium-term targets and fiscal year 2002 targets to meet each of these objectives are listed in Table I.

Table I: Strategy implementation and monitoring index for improving the safeguards system

<i>Objectives</i>	<i>Medium-term target (5-year)</i>	<i>Fiscal 2002 target</i>
Strengthen the implementation of safeguard policies, including the use of a tracking system for safeguard compliance by policy	<ul style="list-style-type: none"> • Establish an integrated risk management framework • Strengthen corporate consistency and oversight • Integrate safeguard tracking and reports on safeguard policy compliance into project management system • Adopt and use compliance indicators on a routine basis for the entire portfolio • Establish and meet targets for safeguard performance during quality at entry and supervision in QAG reviews 	<ul style="list-style-type: none"> • Establish and implement an integrated safeguard system and operationalize the Integrated Safeguard Data Sheet (ISDS) • Establish and operationalize a corporate safeguard compliance tracking and monitoring system • Strengthen corporate oversight • Achieve target ratings for the environmental aspects of quality at entry and supervision for the Bank’s portfolio • Review all projects at risk and take measures to reduce risk • Establish systematic staff safeguard training program
Review the current safeguard policies and evaluate their application to new lending instruments and changing approaches to development assistance	<ul style="list-style-type: none"> • Develop the medium-term workplan for reforming the safeguard system • Address safeguard policy issues in a consistent manner by undertaking regular reviews to identify lessons 	<ul style="list-style-type: none"> • Develop a medium-term workplan for reforming the safeguards system • Identify good practice and guidance for addressing safeguard policy issues in sector adjustment lending and new lending instruments such as Community Driven Development (CDD) projects
Work with clients and other development institutions to review and strengthen client safeguard capacity and	<ul style="list-style-type: none"> • Engage with at least 10 countries in discussions on in-depth EA capacity assessment and strengthening • Implement a comprehensive client 	<ul style="list-style-type: none"> • Agree on a methodology for client capacity assessment • Engage with at least two countries in discussions on in-depth EA capacity assessment

harmonize safeguard procedures	safeguard training plan	and strengthening • Prepare and pilot a comprehensive client safeguard training plan
--------------------------------	-------------------------	---

Source: World Bank Environment Strategy, 2001, p. xxxiv

13. From 2001 to August 2010, the World Bank partially achieved the objectives set forth in the 2001 Environment Strategy. The main achievement has been strengthened corporate oversight of safeguards compliance. Progress toward this achievement started in 1999, when a decision was made to increase corporate oversight of safeguards by providing central guidance on all matters relating to safeguards. At the regional level, safeguard implementation and compliance is the responsibility of the Regional Safeguard Advisors (RSAs, previously called Regional Safeguard Coordinators). In the Bank's 2006 reorganization, the Sustainable Development Network (SDN) was created by combining the previous Environmentally and Socially Sustainable Development (ESSD) departments of environment, rural development, and social development with other operational units including infrastructure, finance, transport, urban development, energy, and water sectors. Within SDN, the Environment and Social Departments continue to provide safeguard technical support to operations.

14. The 2001 Environment Strategy also resulted in an increased budget for safeguards-related activities, which came to be conducted under QACU's ambit. QACU has strengthened its role by providing training on safeguards, helping regional Vice-presidencies prepare management responses to Inspection Panel investigations, conducting analytical work related to safeguards, leading the dialogue on country systems, implementing pilots on the use of country systems, coordinating harmonization of safeguard policies with MDBs and other donors, and providing advice on safeguards policy design. LEGEN has played a central role in analyzing, interpreting, and supporting safeguard compliance measures, despite having very little funding for the purpose.

15. Notwithstanding these accomplishments, according to the Sector Strategy Implementation Update (SSIU), the World Bank's goal of improving the safeguard system from 2002 to 2007 was only moderately achieved.⁵ Challenges associated with the implementation of the EA policy continue across Bank operations as pointed out in previous OED and IEG studies.⁶ The updated Environment Strategy aims to meet some of the unfulfilled recommendations of the 2001 Strategy that continue to present challenges. Ongoing safeguards-related challenges and the lessons learned in addressing them are discussed below.

C. Lessons Learned

16. Consultations in connection with creating an updated Environment Strategy have elicited numerous comments on the World Bank's safeguards framework. Government and civil society organization (CSO) stakeholders have criticized the World Bank for being inconsistent in the application of these policies. At the same time, the Independent Evaluation Group's (IEG) 2010 review of the World Bank Group's (WBG) safeguards and sustainability frameworks and the analytical work summarized in this document identified a number of critical gaps in project preparation and implementation. It is clearly necessary to update and strengthen the safeguards system.

17. This analytical work complements and expands on recommendations made by the IEG for improving the Bank's safeguards system. The IEG evaluation was designed to identify strengths, weaknesses, and systemic deficiencies in the performance of the safeguards system.⁷ The analytical work presented here further examined the institutional environment the Bank has developed to implement the

⁵ World Bank 2007c.

⁶ see for example Liebenthal 2002, IEG 2008, and IEG 2010.

⁷The IEG's evaluation of safeguards used a portfolio review and survey of staff and NGOs. The evaluation identified deficiencies in five areas of the Bank's safeguards system: (i) the depth and coverage of its policy frameworks; (ii) client capacity and ownership; (iii) supervision; (iv) monitoring and evaluation; and (v) accountability and grievance redress.

safeguards framework. It uses an analysis of international best practices to identify appropriate interventions to implement the IEG's recommendations.⁸

18. Several evaluations and interviews carried out as part of this analytical work have pointed out that the Bank's current context is different from the one that existed when the safeguard policies were introduced.⁹ These evaluations and interviews underscore the need for safeguards and sustainability frameworks that can adapt and remain relevant to the changing circumstances in which the Bank now operates, characterized by: a diversification of Bank clients, ranging from middle-income countries with well-developed institutions and capacities to fragile and conflict states with weak institutions; the evolution of the Bank's lending portfolio from heavy reliance on stand-alone investment projects toward greater use of other financial instruments; and the increased prominence of analytical and advisory services offered by the Bank to build client institutions and capacities.

19. The characteristics of lending have also changed. Bank lending in sectors with significant environmental and social risks—infrastructure and agriculture—decreased in the 1990s but is now growing again, leading to renewed demand for safeguards expertise. At the same time, the nature of World Bank lending has changed, with over half the portfolio making greater use of lending instruments that are not well accommodated by the Bank's compliance-based safeguards approach. For example, in a number of medium-income countries and some low-income countries, the Bank's lending has evolved from investment project loans toward a growing portfolio of development policy loans (DPLs) for institutional and policy reforms and programmatic loans for social sector, financial sector, and governance operations. Safeguard policies were developed for investment projects but are more difficult to implement in sector-wide investment programs, financial intermediary projects, community-driven development projects, and other types of decentralized projects. While noting the Bank's efforts to respond to the changing context through ongoing investment lending reforms, evaluations and interviews highlighted the need to adapt safeguard policies to evolving contexts and demands.

20. In this context, the World Bank has come to see environmental sustainability more holistically, with three core goals: (1) mitigate negative impacts, (2) enhance positive impacts, and (3) build client capacity for environmental management over the long term. The challenges to achieving these goals are summarized below and the advocated solutions are presented in the following section.

21. In seeking to avoid environmental harm in the implementation of projects, challenges include: (1) the need to adapt the safeguards framework to changing internal and external contexts and to consider designing a more holistic environmental sustainability policy; (2) inconsistent and sometimes incorrect project environmental categorization, which can result in misallocation of resources; (3) the need for a robust performance indicator and tracking system for safeguards so that safeguard performance can be more effectively monitored and improved and problem areas can be more easily identified and addressed; and (4) a lack of formal intermediate stage grievance redress mechanisms above the project team level that can help resolve problems at an early stage and with a response proportional to their scope.

22. Three challenges to the enhancement of positive impacts and practices can be identified: (1) the need for re-alignment of responsibilities and resources to avoid conflicts of interest and improve environmental and safeguards performance within the Bank; (2) insufficient numbers and training of safeguard specialists at the Bank, along with insufficient incentives (including career progression) to take on safeguards work; and (3) the need for strengthening the existing safeguard training system to meet current and emerging needs and to better reach field staff and partners in the regions.

⁸ Data gathering methods for this analytical work included: (i) document review and desk research; (ii) over 52 personal interviews (structured using questionnaires) with a selected and diverse group of Bank staff; and (iii) reports by consultants pertaining to safeguard studies.

⁹ see for example World Bank 2007c, OED, 2002; IEG 2008, World Bank 2009b, and IEG 2010.

23. The Bank has long recognized that a prime way to strengthen the impact of development in client countries is to strengthen client country institutions and management. Since 2005, the Bank has piloted a “use of country systems” approach, which has helped strengthen dialogue around safeguards-related issues and has resulted in improvements to over a dozen countries’ environmental, social, and financial management systems. However, this approach still has weaknesses and limitations that need to be addressed before it can be scaled up effectively.

D. Recommendations

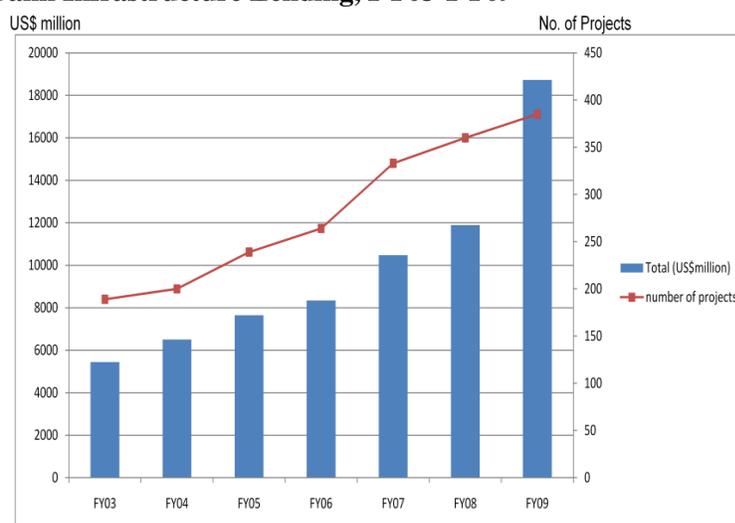
24. For presentation purposes, the proposals for the way forward on environmental safeguards are grouped into eight topic areas, corresponding to the issues noted above.

D.1 Enhancing Safeguard Support during Preparation and Supervision

25. An augmentation of staffing for safeguards-related work, along with enhanced staff training to better align the skills mix with Bank needs, is essential for improving safeguards implementation.¹⁰ There are two primary reasons for deficiencies in staffing levels and skills mix: sharply increased volumes of Bank lending for infrastructure without a corresponding increase in environmental safeguards specialists and disincentives to pursuing safeguards work as a career path at the Bank.

26. Total Bank lending increased sharply in fiscal 2008, and the increases are continuing, with fiscal 2009 commitments by IBRD 144 percent higher than in fiscal 2008. Total lending experienced similar increases in fiscal 2010. Lending for infrastructure has also risen sharply since fiscal 2007, and those spending increases have been accompanied by a corresponding rise in the total number of infrastructure projects (Figure I).

Figure I: World Bank Infrastructure Lending, FY03-FY09



Source: Business Warehouse (including IBRD/IDA, GEF, Special Financing Guarantees, carbon off set, and Recipient Executed activities)

Source: Business Warehouse and Elena Correa, 2010

27. In spite of the Bank’s 350 percent increase in lending between 2000 and 2010, Bank staff mapped to safeguards-related areas has stayed virtually constant, even while the number of staff mapped to

¹⁰ IEG 2010; Green 2008

infrastructure areas increased by 30 percent. Regional Safeguards Advisors and safeguard specialists interviewed for this study emphasized the shortage of environmental safeguards specialists as well as deficiencies in relevant skills. In some regions, the number of safeguards specialists has dropped by more than half.

28. Regional Safeguard Advisors and QACU support “the argument for more staff resources used more effectively.”¹¹ According to QACU:

“It is a message that is needed, even if not necessarily welcome in a time of serious budget cuts. [This paper] makes a number of very welcome recommendations on how the Bank can augment, better allocate, and motivate its human resources to enhance its focus on environmental and social outcomes.”¹²

29. Staff members interviewed consistently said that safeguards experts were generally selected on the basis of availability. When asked to clarify this point, interviewees explained that due to the perpetual shortage of environmental specialists, they drew on specialists in environmental units primarily for high-risk projects. If no environmental specialists were available, they would draw supplemental staff from a roster of consultants who would be mentored or backed up by a Bank staff member while performing safeguards tasks. Interviewees noted the absence of a structured approach for selecting relevant safeguard specialists (either Bank staff or consultants) when shortages existed in a region. As one interviewee put it, staff selection was done on an *ad hoc* basis.

30. Problems caused by the undersupply of environmental safeguards specialists are compounded by deficiencies in the mix of skills possessed by safeguards specialists. For example, the Bank has few specialists doing safeguards work in biodiversity or pest management and has no safeguards specialists with expertise in risk management, environmental flows, occupational health and safety, or noise pollution abatement.

31. Safeguard specialists often operate in areas outside the specialties they possess. Often, one safeguards specialist is expected to provide operational support on projects in a variety of sectors, ranging from hydropower to roads. Supervising preparation of environmental documentation for even a single project type, such as a dam for hydroelectric power, requires a number of technical specialties, such as environmental flows, limnology, ionic equilibrium at low temperatures, land and aquatic biodiversity, dam safety, occupational health and safety, geomorphology and sediment transport, and watershed management. A single safeguards specialist, no matter how well trained, cannot provide all the necessary support for twenty or thirty projects in different sectors, much less in all of the subject areas required by the Bank’s safeguards policies.

32. Deficiencies in environmental safeguards specialists’ staffing levels and skills mix are also created by the disincentives to pursuing safeguards work as a career path at the Bank. The IEG report found that “staff promotions are slanted towards own-managed projects more than toward providing safeguard services.”¹³ Some specialists interviewed for this analysis attributed the severe shortage of safeguards experts to safeguards work not being recognized as essential at the Bank or heralded as an attractive career choice. Other safeguards experts regarded themselves as a “hassle factor,” noting that they met more problems inside the Bank than outside when carrying out their safeguards duties. Interviewees characterized the role of safeguards expert as “a thankless job,” “a nuisance,” or a “ticking-box exercise.”

¹¹ Lintner, 2011: 3.

¹² For QACU, strengthening safeguards supervision (particularly more staff resources used more effectively) and similar recommendations “derived from the recent IEG report on Safeguards and other evaluations of the Bank’s implementation of its current Safeguard system, are relevant and appropriate only if it is assumed that the Bank remains committed to the objectives and most of the key operational principles of its current safeguard system as articulated in its Operational Policies.” Lintner, 2011:3.

¹³ IEG 2010, 36.

These responses support assertions by independent analysts who argued that under-resourced environmental and social specialists have little or no role on project supervision teams.¹⁴

33. Because safeguards operational support is often not seen as a viable career path within the Bank, the majority of the operational support in some regions is provided by junior staff members. According to Bank staff interviewed, these junior staff members typically have little, if any, experience in environmental engineering or environmental science. Moreover, in an effort to find a career path that has more promising opportunities for promotion, many junior environmental safeguards specialists are refocusing their work programs away from safeguards toward environmental operations, particularly analytical work and investment loans.

34. Existing budgetary arrangements also lead to low levels of staffing for safeguards during project supervision. At the Bank, funding for safeguard-related activities is drawn primarily from resources earmarked to ensure safeguards compliance during project preparation but not during supervision. On a practical level, this means budgets for supervision are not sufficient to adequately meet safeguard support needs, which in turn inhibits the ability of the Bank to effectively direct resources toward projects with relatively high environmental and social risks. According to a World Bank internal review,¹⁵ TTLs have incentives to cut safeguards costs during supervision because of budget constraints. The recent IEG safeguards and sustainability evaluation emphasized deficiencies in supervision, arguing that “more than a third of World Bank projects had inadequate environmental and social supervision, manifested mainly in unrealistic safeguards rating and poor or absent monitoring and evaluation”¹⁶.

35. This analytical work recommends promoting a number of strategies to broaden the mix of skills that Bank environmental safeguards specialists bring to safeguards implementation. Because the Bank’s regional environment units know best which skills they need for safeguards work, the regions should play a key role in the design of staff hiring and training programs, and those designs should be elements of each region’s Environmental Business Plan. Furthermore, regional environment units should have augmented budgets to fund improved training and hiring.

36. This report recommends incentives to retain and develop environmental safeguards specialists. Improving incentives for high quality safeguards work could be done through adaptations to the Overall Performance Evaluations (OPE) process, such as by including safeguards-related components into the protocols for performance evaluations of TTLs, sector managers and environmental safeguards specialists. This can be done easily by expanding the list of *feedback providers* during a staff member’s OPE to include Bank colleagues in a position to gauge the quality of safeguards related work for the staff member being evaluated. In addition, the OPE *peer comparisons* made in evaluation of environmental safeguards specialists should be altered so that instead of being compared with TTLs, safeguard specialists only be compared (for purposes of evaluating their safeguards-related work) with other safeguard specialists. The inclusion of safeguards-related criteria and feedback providers in OPEs will provide staff with feedback on their performance in supporting safeguards implementation, influence personnel decisions such as salary and promotions, and help individual regions identify their training and staff development needs.

37. Finally, regional Environmental Safeguards Business Plans should be developed each year to provide roadmaps for helping safeguard staff, TTLs, and sector managers meet safeguard targets. These business plans will be developed by each of the regions’ environmental safeguards units in a process overseen by the lead environmental safeguards specialist for each region. They should include the allocation of safeguard specialists to projects based on their specialized expertise, budget allocations for hiring new environmental safeguards specialists and training existing specialists, and thematic reviews and

¹⁴ Duke and Aycrigg 2000.

¹⁵ World Bank 2005.

¹⁶ IEG 2010, xii.

analytic work. In addition, new safeguards-related information should be required in project appraisal documents, Implementation Supervision Reports, and Implementation Completion Reports, so that safeguards performance can be monitored more effectively and be accounted for in OPEs.

D.2 Organizational Realignments to Enhance the Bank’s Environmental Performance

38. The 2010 IEG report found that the Bank performed relatively poorly on safeguards during project supervision of Category B projects and attributed this to the delegation of monitoring responsibilities to sectoral units, which have weak incentives to supervise safeguards diligently, especially given the budget pressures faced by TTLs.¹⁷ This finding is consistent with the OED’s description (in 2002) of mixed incentives caused by the diffusion of responsibility and accountability associated with the Bank’s organizational structure.

39. To reduce the potential for misaligned incentives and potential conflicts of interest, this report recommends organizational realignments, which will enhance the Bank’s capabilities for conducting effective safeguards work. These organizational realignments could follow recommendations from the Environment Strategy Background Paper on “Lessons from Environmental Mainstreaming: Towards Environmental Sustainability”¹⁸ aimed at reinstating “a work program in the anchor for environmental safeguards with emphasis on learning and skills development, fundraising for upstream work and client capacity development, and follow-up to the IEG evaluation.”

40. The proposed organizational reconfiguration would create two parallel structures to ensure safeguards compliance. One structure—comprising the regional environment units and the Environment Anchor—would be responsible for implementing the safeguards system. The other structure—comprising the RSAs and QACU—would be responsible for safeguards compliance and quality assurance. The recommended approach would substantially strengthen the role of the Environment Anchor and the regional environment units in carrying out the Bank’s core operational work related to the environment, while simultaneously strengthening the RSAs and QACU for their core mission of providing quality assurance and compliance review. Moreover, the quality assurance and quality control (QA/QC) work of the RSAs and QACU would be expanded beyond the project appraisal stage to include QA/QC during project supervision. Under the proposed reorganization, enhancements and reallocations of resources among all units involved would be required. LEGEN would provide support as appropriate, given available resources.

41. With the above recommendations in place, environment units within the regions would be able to fund staff development activities for their safeguards specialists. The Environment Anchor could help to coordinate these efforts by engaging in upstream safeguards policy dialogues, carrying out safeguards training activities for the Bank, and tracking the costs and benefits of safeguards work. Both the Environment Anchor and the regional environment units would have the motivation and resources to create comprehensive Environmental Safeguards Business Plans and then implement those plans to improve the Bank’s performance in minimizing adverse environmental impacts, enhancing positive environmental effects, and strengthening client capacity.

42. Given the current self-imposed Bank budget constraints most of the recommendations outlined above are not implementable. Under these constraints, alternative options for strengthening environmental safeguards implementation must entail, in the short term, sharing with the clients a large percentage of the costs of preparation and supervision of safeguards compliance, as well as a significant reform of the safeguards policy framework to build on borrower capacities.

¹⁷ IEG, 2010: 92.

¹⁸ Tlaiye and Awe, 2010

43. In the medium term, the Safeguard Policy framework must evolve from a process-oriented, command-and-control, do-no-harm approach to a sustainable approach--based on economic instruments--that reflects a more risk-based and differentiated view based on client capacities. In the short term, alternative methods for strengthening safeguards implementation during project preparation and supervision could include three different approaches: (1) outsourcing to specialized safeguards support companies; (2) institutionalizing environmental auditing; and (3) giving priority to developing either project components within sectoral projects or stand-alone environmental projects aimed at strengthening client environmental regulatory frameworks.

D.3 Project Categorization

44. Overall, the current safeguard system appears to encourage TTLs and RSAs to interpret ambiguities in a stricter manner than originally intended, often resulting in the miscategorization of projects and a resulting misallocation of resources. Most commonly, Category C projects are miscategorized as Category B projects.¹⁹ Incorrect categorization and overly cautious triggering of safeguard policies results in increased project preparation and supervision costs, as well as increased strain on the overworked safeguards system. These challenges are not unique to the Bank.

45. The Bank needs to review and adopt either alternatives or improvements to the existing project categorization system. In the last several years, many MDBs have improved their practice on environmental categorization. Some MDBs have moved to a checklist format that reduces the scope for subjectivity in the assignment of categories. Others have used software packages based on artificial intelligence technology that contain embedded best-practice rules for categorization. The European Bank for Reconstruction and Development and the European Investment Bank have recently adopted a categorization system based upon minimization of risk rather than minimization of impacts. These approaches represent an evolution of categorization methodologies to reduce reliance on procedures requiring subjective—and often inconsistent—judgments on project categorization. The Bank is already studying the experiences of other banks with the intention of identifying in the next two years the most suitable option for improving the accuracy and consistency of its project environmental categorization.

D.4 Training and Accreditation

46. In interviews conducted during the course of this study, safeguards specialists indicated that: (1) the Bank's general policy of hiring "generalists" as safeguards specialists makes it difficult to address client priorities, especially at a time when increasing technical sophistication is required; (2) the current version of World Bank safeguards training tends to be introductory and process-based, with little emphasis on the technical aspects of the expertise demanded by safeguards work; and (3) knowledge of safeguards-related issues is very uneven among both Bank staff and Bank clients. These findings were consistent with those of the IEG evaluation.²⁰ The IEG recommended instituting a "certification program" to expand the pool of staff qualified to undertake environmental preparation and supervision, along with orientation training on environmental sustainability for all task team leaders.²¹ According to the staff interviewed, currently available safeguards training at headquarters is not widely available to staff in the region and country offices. Where it is available, it involves subject matter that is general and basic. Overall, it is not meeting the needs of the non-headquarters staff for enhanced capabilities required for conducting safeguards work.

¹⁹ IEG 2010.

²⁰ IEG 2010: 36.

²¹ IEG 2010: 127

47. The Operational Policies and Country Services Vicepresidency is currently developing e-learning modules on safeguards, with the third module near completion. According to QACU:²²

In December 2010, two E-learning modules on Safeguards became available for all staff; a third module tailored to the needs of TTLs is under preparation and will be available before the end [of the 2011] fiscal year. In anticipation of the roll out of the E-modules, the focus of the face-to-face training has shifted from presenting the provisions of individual policies to their application, with hands on training exercises and case studies becoming the core of the sessions. The current training program also serves as a forum for exchange of knowledge and experience among staff and is highly valued for this purpose, something that online tutorials cannot provide...environmental and social specialists need sufficient training in Safeguard Policies to recognize when an environmental or social issue has Safeguard implications and requires an elevated level of attention. This is precisely the kind of training that is now provided by QACU and LEGEN in coordination with SDN. It is not designed to provide environmental and social specialists with detailed technical solutions to specific questions or problems, nor should such training be undertaken by environmental or social specialists who are not themselves thoroughly “experienced” in the application of the Safeguard Policies...[Furthermore] QACU has already begun piloting in the past year new training sessions in topics that reflect the Bank’s shifting lending program (e.g., guidance to staff on joint Bank-IFC projects; expanded use of EHSGs and improving incorporation of community health and safety issues in EA).

48. A program to increase the efficiency and effectiveness of safeguards support at the Bank could include basic safeguards training that would be required for *all* non-administrative Bank staff.²³ By having all non-administrative staff receive basic training in environmental safeguards, the Bank would be signaling its seriousness of purpose as an organization that has environmental sustainability as a defining characteristic. Such basic training would provide a foundation for a set of supplementary on-line courses for staff members wishing to be accredited to work on different aspects of safeguards.

49. In addition, more advanced levels of supplementary training (also organized as online tutorials) would be used to meet the needs of the following particular categories of staff:

- TTLs and Sector Managers
- Clients and their environmental consultants
- Environment specialists and consultants supplementing environmental safeguards specialists

50. The proposed online course would be far from sufficient as a mechanism to provide in-depth training to enhance the skills mix of safeguards support staff. For that purpose, a more ambitious training program would be established; the blueprint for that program would be developed in the context of the regional Environmental Business Plans. The business plans would identify the training funds to be used to send safeguards specialists to courses where they can gain internationally-recognized training. The assessment of regional training needs would be conducted under the supervision of each region’s Lead Environmental Safeguards Specialist. The assessments would take into account safeguard policies typically triggered in the region, staff skills, the types of projects being implemented or planned, sectors in which the bulk of projects-related activity is taking place, the strengths and weaknesses of environmental management systems in client countries, and the skills of implementing agencies.

51. For QACU, the “limited availability of a structured face-to-face training program for field staff is a significant issue that should be put high on the list of priorities for improving understanding of the Bank’s Safeguards. Training on Safeguards also should be considered as a part of the currently ongoing process of update/revision of the Bank’s Safeguard policies and reflect changes in the approach to improve Bank’s

²² Lintner, 2011:5

²³ According to QACU “the Safeguard training program provides solid basic knowledge of the Bank’s Safeguard policies and all non-administrative staff would benefit from it if it became mandatory. In the last couple of years, the program has been enriched by more specialized sessions, e.g., Preparing and Implementing IPPs, Environmental and Social Guidelines for IFC/Bank Jointly Financed Projects, Reviewing EAs and other courses geared towards developing and improving staff skills. Work on more sessions reflecting changes in lending program is ongoing.” Lintner, 2011:5.

performance in the Safeguards.”²⁴ In addition, QACU has proposed the following three-step training program for staff to work as safeguards specialists:

- Step 1: Completing mandatory E-learning modules on Safeguards.
- Step 2: Completing a full cycle of face-to-face training.
- Step 3 (which could begin simultaneously with step 2): Participating in a mentoring program with an experienced safeguards specialist, which would include participation in missions and field trips.

52. In addition to laying out hiring plans and training needs, the regional Environmental Safeguards Business Plans would identify specific venues for external training. These special training programs could be more intensive and last longer—up to several months—than the mandatory E-learning modules on Safeguards. The subjects of special training would vary by region but might include such topics as occupational health and safety, noise pollution, and the conservation of biodiversity. The Environment Anchor would serve as the clearinghouse for information on available training programs, and the regions would be able to identify key programs by coordinating with the Environment Anchor.

53. Environmental Safeguards Business Plans would also contain proposals for other staff development activities, aimed at diffusing knowledge of good practices as well as building a learning community within the regions. A host of region-based activities could be conducted for this purpose, including short courses by external consultants or technical specialists from headquarters, mentoring programs for junior environmental safeguards specialists, informal regional newsletters highlighting best practices, and environmental safeguards specialists retreats. Special attention is also needed to address the training needs of field staff and clients in light of the Bank’s increasing decentralization.

54. This Report recommends that the existing World Bank safeguards training system be revamped to include a wider target audience, online tutorials (following OPCS e-learning modules on Safeguards), and more advanced supplementary training options. We recommend that as a starting point, an online basic safeguards training course be required for *all* non-administrative Bank staff members; this would signal the Bank’s commitment to environmental sustainability. More advanced levels of supplementary training (also organized as online tutorials) should be used to meet the needs of particular categories of staff such as sector managers and environmental specialists. In order to significantly enhance the skills mix of safeguards support staff, more ambitious, in-depth training programs tailored to individual needs would be required. That training, along with training for field staff and clients, could be integrated into the Environmental Safeguards Business Plans prepared by the regions and the Environment Anchor.

D.5 Tracking Costs and Benefits of Safeguards Work

55. The 2001 Strategy emphasized the importance of monitoring safeguard policies. However, there is no compliance tracking and monitoring system currently in place for safeguards. In addition, detailed guidance and monitoring operation manuals for data collection do not exist. As the IEG summarized:

[The World Bank Group] lacks a clear framework to assess the impacts of their safeguards and sustainability policies. Environmental and social outcomes of [World Bank] projects are not clearly articulated, performance indicators are rarely specified and integrated into projects results framework, and data to monitor and evaluate are not routinely collected and used.²⁵

56. Notwithstanding the provisions for the tracking and monitoring of environmental outcomes in OP 4.01 (Paragraphs 3 and 19), internal and external evaluations of safeguards find that little systematic data is collected on whether the negative environmental impacts identified in environmental assessments are

²⁴ Lintner 2011.

²⁵ IEG 2010, 73.

actually mitigated. According to specialists interviewed for this analysis, one factor contributing to the paucity of data on the results of safeguards is the strong focus on indicators of procedural compliance as opposed to indicators of actual outcomes.

57. One dimension of the tracking problem is that detailed guidance and monitoring operation manuals for data collection do not exist, even for cost data linked to safeguards implementation by Bank staff. In instances where cost data had been collected, the IEG (2010, 88) indicated that safeguards-related costs could not be identified in the Bank's cost accounting database because relevant costs are not always broken out separately.²⁶ In this context, relevant World Bank costs include direct staff costs of environmental and social specialists as well as travel costs for identification, appraisal, and supervision of safeguard-related components of projects.

58. The collection of data is deficient for both the cost and benefits of safeguards implementation. There is some data collected on the cost to Bank staff of safeguards implementation, but it generally underestimates the total cost because some relevant costs are buried in general categories unrelated to safeguards. There is no systematic data collected for the cost to clients. This is particularly notable since the great majority of safeguards implementation costs are incurred by clients. Much of the information on benefits is anecdotal and qualitative. To overcome these challenges, this report recommends the creation of a systematic program for measuring, reporting, and evaluating the effects and costs of safeguards implementation.

59. The Bank is well positioned to demonstrate leadership in the field of environmental assessment by conducting analyses to determine the feasibility of using existing cost-benefit estimation techniques to estimate the monetary net benefits of safeguards implementation. While the problems are straightforward and surmountable on the cost estimation side, there will be challenges in evaluating the benefits of safeguards implementation in monetary terms.

D.6 Mandate for an Environmental Sustainability Policy

60. The Bank has already initiated a global review of good practices in the field of environmental management. Over a period of two years, the Bank will conduct a series of in-depth studies and consultations in order to ascertain good practices and to identify what the Bank's stakeholders are looking for in the way of environmental management systems at the Bank. This global review of good practices will focus on studying the environmental management systems of other multilateral, bilateral, and private-sector banks; Part I countries; client countries; implementing agencies; and large private-sector corporations. The review, which will be deliberative, transparent, and highly consultative, involving a diversity of shareholders and stakeholders, is intended to form the basis for a comprehensive updating and, as appropriate, consolidation of the Bank's Safeguard Policies.

61. Findings from this analytic work suggest that a World Bank sustainability policy could strengthen the effectiveness of the Bank's environmental approach. It would have three goals: (1) mitigating negative impacts; (2) enhancing positive impacts; and (3) strengthening World Bank clients' capacity to carry out environmentally sustainable development in the absence of World Bank support. The focus would be on strengthening client capacity to address and prioritize environmental problems in a way that accounts for the concerns of stakeholders (including the most vulnerable groups), as well as to monitor and evaluate progress in overcoming the identified problems.²⁷

²⁶ IEG 2010, 88.

²⁷ For more on client capacity building, see the Environmental and Natural Resources Aspects of DPLs in (World Bank 2004).

62. Some Bank activities have the enhancement of positive environmental impacts as their central theme. Examples include the work done on environmental health, biodiversity conservation, and mitigation of greenhouse gas emissions. Enhancing positive environmental impacts can also include building environmental components into projects whose primary objective is non-environmental, taking advantages of cost-effective synergies (see Box V). A number of World Bank documents discuss the benefits of enhancing positive impacts and strengthening client capacity. However, because the safeguards policy framework currently emphasizes the mitigation of negative impacts, incentives and systematic protocols are generally absent for these positive enhancements; they are perceived as less central to the safeguards system of the Bank than the goal of minimizing negative environmental impacts.

Box V: Pakistan – The Sindh Education Sector Reform Program an example of enhancing positive environmental impacts

The objective of the project is to increase school participation, reduce gender and rural-urban disparities, and improve the measurement of student learning in Pakistan’s Sindh Province. During the course of project preparation, a number of inadequacies in Sindh schools came to light, including the vulnerability of schools to natural hazards (World Bank 2009b). One of several actions to enhance the project’s positive environmental effects included hiring specialists to assess the flood and earthquake risks. Their work led to the inclusion in the program of a number of interventions, such as school seismic resistance structures and guidelines to reduce the vulnerability of schools to floods, earthquakes, and other natural disasters.

63. In general terms, client capacity building consists of helping agencies that implement projects and policies, as well as NGOs, to strengthen their capacity for environmental management by identifying key environmental issues, setting environmental priorities, designing and implementing environmental interventions, conducting environmental monitoring, evaluating studies, and enforcing environmental requirements. The use of alternative instruments for environmental policy, such as economic instruments, might enhance environmental management (see Box VI).

64. Most of the Bank staff interviewed for this analytic work, and particularly staff from DEC (the research and development arm of the Bank), suggested that the Bank’s environment policies might be updated to go beyond a consideration of command-and-control strategies. In contrast, QACU argues that “the Bank [must remain] committed to the objectives and most of the key operational principles of its current safeguard system as articulated in its Operational Policies.”²⁸ According to QACU:²⁹

[T]he objectives and operational principles of the Bank Safeguard Policies are more relevant than ever to the global context in which the Bank operates, as well as to the legal systems of its Borrower countries. The Bank, as a multilateral institution, should think twice before abandoning the objectives and many of their supporting operational principles in favor of the ostensibly more pragmatic “differentiated risk” approach recommended in [this paper].

Box VI: Senegal – Alternative Instruments for Environmental Policy

The Senegal Country Environmental Analysis (2008) analyzed different instruments for environmental policy including: (1) environmental impact assessment, (2) direct regulation by Government or “command and-control” measures; (3) economic and market-based instruments, (4) public disclosure, and (5) legal actions. According to the CEA, economic instruments (such as pollution charges and marketable permits) are more efficient to tackle priority environmental problems, but command and control instruments have been found easier to design and implement and thus more effective for environmental management.

Source: World Bank, 2008

56. The design and implementation of instruments for environmental policy could also be pursued with a more risk-based and differentiated approach, based on country or borrower capacity. A risk-based and differentiated approach would recognize the different and wide-ranging circumstances of today’s client countries. Such an approach would mean relying on the Bank’s environmental policies in certain cases,

²⁸ Lintner, 2011: 3.

²⁹ Lintner, 2011: 2.

such as for projects involving high risks in countries lacking environmental regulatory frameworks. It would also mean taking calculated risks in giving greater flexibility to certain borrowers for employing those of their own systems that have demonstrated effectiveness in achieving environmental outcomes. It is acknowledged, however, that there is need for further discussion to determine risk thresholds and criteria for determining how such decisions should be made (see Boxes VII and VIII).

Box VII: EU Accession Countries Systems Not Structured along Bank Requirements, but Effective

In some countries, such as EU accession countries, the Environmental Assessment process, although highly prescriptive and rigorous, is structured in a very different way than the World Bank Operational Policy on Environmental Assessment (per OP 4.01/4.00). In such cases, it relies to a greater extent than does the Bank on physical plans, location and construction permits, with these fulfilling many of the functions that would be conducted in the Bank's Environmental Assessment-Environmental Management Plan process. To determine equivalence, there is a need for the Bank to be flexible and look for equivalence of objectives, functions and outcomes, rather than focusing narrowly on processes and outputs."

Source: Text from VPCS, 2009. p. 8.

Box VIII: China: Engineering Codes as an Effective System for Mitigating Negative Environmental Impacts for Highways

Highway construction in China yields outstanding results on the ground in terms of mitigating environmental impacts. The success of this is not directly related to the EIA system, but to a complete set of engineering codes that are mandatory for highway planners, designers, and contractors to follow. These codes specify erosion control and water conservation programs in roads, landscape and greening requirements, environmental management of construction activities, and environmental supervision and monitoring requirements. Perhaps even more importantly, the codes specify the need to include all of the mitigation measures in the budget of the highway. So, in practical terms, an EIA only addresses a few additional issues like noise and air pollution, since the codes are extremely comprehensive. Accepting these kinds of engineering codes could simplify and reduce, without sacrificing quality, the need for more detailed EIAs and EMPs in road construction in China.

Source: Excerpts from Quintero and Posas, 2010.

56. Considerations for shaping a strengthened sustainable safeguards framework at the Bank include: (1) whether the Bank will continue with a safeguards policy framework focused on prescriptive policies that emphasize procedural compliance or move towards substantive compliance and environmental sustainability principles;³⁰ (2) whether the Bank's safeguard framework will continue relying primarily on command and control instruments or adopt more effective and efficient environmental policy instruments; and (3) whether the Bank's safeguard policies will, in addition to the mitigation of negative impacts, institutionalize incentives and systematic protocols to incorporate other sustainability components into the safeguards framework, such as measures to enhance positive environmental effects and to strengthen client capacity to carry out environmentally sustainable development in the absence of Bank support.

³⁰ On these aspects, QACU "would agree that the Bank should be more flexible and less prescriptive in its procedural requirements, by taking full advantage of the strengths of Borrower systems in the first instance rather than relying solely on its own prescriptive requirements. This is where alternative Borrower mechanisms such as land use planning, zoning and permitting can be used in place of some of the more rigid prescriptive requirements of, for example, OP 4.01 with respect to the content and format of Environmental Impact Assessments and Environmental Management Plans; the classifications of protected areas and forests under OP 4.04 and OP 4.36; the controls placed on hazardous chemicals and pesticides under OP 4.09; etc." Lintner 2011, 5.

1. Introduction

1.1 Introduction³¹

The Bank’s safeguards policies aim at integrating environmental and social concerns into the design and implementation of Bank-supported activities and promoting sustainable development objectives (Table 1.1). As stated in the Bank’s 2001 Environment Strategy: “The overarching objective of the safeguards system is to support the development efforts of our client countries in a manner that is environmentally and socially sustainable.”³²

Table 1.1: World Bank Safeguards Policies

Environmental Policies <ul style="list-style-type: none">• OP 4.01 Environmental Assessment• OP 4.04 Natural Habitats• OP 4.09 Pest Management• OP 4.11 Physical Cultural Resources• OP 4.36 Forests• OP 4.37 Safety of Dams
Social Policies <ul style="list-style-type: none">• OP 4.10 Indigenous Peoples• OP 4.12 Involuntary Resettlement
Legal Policies <ul style="list-style-type: none">• OP 7.50 International Waterways• OP 7.60 Disputed Areas
Information Disclosure Policy <ul style="list-style-type: none">• Handbook on Public Disclosure

Source: World Bank Operational Manual

In 2009, the Board of Executive Directors' Committee on Development Effectiveness (CODE) requested an update on progress toward achieving the goals set forth in the 2001 Environment Strategy. The design process for developing an up-to-date strategy includes validation of hypotheses within the 2001 Strategy through consultations and analytic work. The vision for the new Environment Strategy is to move beyond safeguards and environmental mainstreaming, as emphasized in the 2001 Strategy, toward improving the environmental sustainability of the Bank’s portfolio. This will involve strengthening existing policy tools and tailoring them to be more suitable for specific applications, particularly with regard to changes arising from investment lending reform.

Consultations connected with the ongoing effort to update the Bank’s Environment Strategy have elicited numerous comments on the World Bank’s safeguards framework. Internal and external evaluations of safeguards and sustainability frameworks identified a number of concerns in project preparation, supervision, and implementation, demonstrating a need for a strengthening of safeguards implementation.³³

³¹ The discussion in this chapter is limited to discussion of the IBRD and IDA’s environmental safeguard policies, particularly the OP 4.01 on Environmental Assessment. This document does not explicitly address the other safeguard policies or the IFC’s Performance Standards.

³² World Bank 2001, 19.

³³ i.e. World Bank 2005; IEG 2008; IEG, 2010.

1.2 Objective

This report evaluates the Bank's implementation of environmental safeguard policies,³⁴ in particular OP 4.01 on Environmental Assessment. It was commissioned as part of the update of the 2001 Environment Strategy that the World Bank Group (WBG) will carry out during 2010-2011, which will propose strategies and recommendations for attaining environmental sustainability.³⁵

In addition, this work was prepared at a time when World Bank Management has committed to undertake a two-year global review of good practices in response to the Independent Evaluation Group (IEG) 2010 evaluation of the Bank's safeguard policies (Annex 2).³⁶ The global review will follow a deliberative and consultative process with a diversity of shareholders and stakeholders that can form the basis for updating and consolidating the environmental and social safeguard policy framework. This process will also include examination of the use of country systems for environmental and social safeguard policies. The dialogue and learning process will include shareholders and stakeholders—such as governments at various levels, private sector representatives, academic and applied research institutions, professional associations, civil society organizations, non-governmental organizations, and others—on global good practice in developing countries as well as industrial countries. This review process will support the Bank's commitment to enhancing the effectiveness of current policies and increasing the emphasis on activities that lead to beneficial and sustainable outcomes, including capacity building.

This report also aims to inform the global review, as it identifies options for enhancing safeguards implementation and sustainability in order to reflect evolving good practices and respond to changing lending profiles. It analyzes: incentives to enhance environmental safeguards specialists' staffing and skills mix; state-of-the-art environmental categorization methodologies that reduce reliance on procedures requiring subjective judgments; proposals for tracking the effectiveness of safeguards-related work; and options for strengthening the sustainability of the Bank's safeguards work.

1.3 Report Structure

This report is structured as follows: Chapter 2 identifies lessons learned regarding safeguards in the course of implementing the 2001 Environment Strategy; Chapter 3 discusses options to enhance staff and skill levels of those involved in safeguards-related work; Chapter 4 identifies training and certification programs to enhance the skill-set of environmental safeguards specialists; Chapter 5 discusses the challenges the Bank has faced in implementing its current environmental categorization scheme for projects and provides options for reducing the scope for subjectivity in the assignment of categorization; Chapter 6 identifies ways to track the costs and benefits of safeguards work; Chapter 7 examines options for strengthening the sustainability of the Bank's safeguards system; and finally, Chapter 8 provides conclusions and recommendations.

1.4 Methodology

The analytic work utilized various data gathering methods, including document review and desk research;

³⁴ The current safeguards framework consists of six environmental policies, two social policies, two legal policies and an additional policy of public disclosure. In the context of this analytical work, "environmental safeguards" refer to the following policies and procedures of the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA): (i) Environmental Assessment (Operational Policy/Bank Procedure (OP/BP) 4.01), (ii) Forests (OP/BP 4.36), (iii) Pest Management (OP/BP 4.09) and (iv) Natural Habitats (OP/BP 4.04).

³⁵ World Bank, 2009d.

³⁶ The 2010 IEG Evaluation of safeguards examines for the first time the safeguard and sustainability policies used in the World Bank Group (WBG) — including the World Bank, the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). See IEG 2010.

semi-structured personal interviews, based on the use of questionnaires, with World Bank staff; and consultant reports pertaining to safeguards studies. These sources provide both quantitative and qualitative data that can allow for a broad understanding of the issues related to the implementation of safeguards policies. Document review and desk research included a review of:

1. Committee on Development Effectiveness's 2007 Sector Strategy Update (SSIU)³⁷
2. World Bank's 2001 Environment Strategy³⁸
3. The Independent Evaluation Group's 2010 Evaluation of World Bank Safeguards Policies³⁹
4. World Bank Group's Environment, Health, and Safety (EHS) Guidelines
5. World Bank's Safeguards Policies, including Operational Policy (OP)/Bank Procedure (BP) 4.01: Environmental Assessment; OP 4.04 Natural Habitats; OP 4.09 Pest Management; OP 4.11 Physical Cultural Resources; OP 4.36 Forests; and OP 4.37 Safety of Dams⁴⁰
6. Case studies related to addressing environmental considerations in programs⁴¹
7. Literature review on the World Bank's safeguards history⁴²
8. The International Finance Corporation's (IFC) and the Multilateral Investment Guarantee Agency's (MIGA) policy and performance standards on environmental sustainability^{43 44}
9. Safeguards and environmental frameworks in other Multilateral Organizations (i.e., Asian Development Bank,⁴⁵ European Bank for Reconstruction and Development⁴⁶ and European Investment Bank⁴⁷), as well as the United States' National Environmental Policy Act (NEPA)⁴⁸

1.5 Survey of Bank Staff

The findings from the document review and desk research were used to guide the design of the questionnaire survey and the interviews with World Bank staff.

From April to June 2010, semi-structured interviews were conducted with a carefully selected group of World Bank staff with extensive experience in implementing environmental safeguards. Interviewees were chosen across regions and sectors. The interviews solicited opinions from the interviewees on the design of the World Bank's environmental policies and on their experience in implementing safeguards. As part of the analytic work, consultations were also carried out with other multilateral development banks, such as the Asian Development Bank and the Inter-American Development Bank.

One-on-one interviews, lasting for approximately one hour each, were conducted with 52 Bank staff members, including regional safeguards advisors, environment sector managers, sector managers from non-environmental areas, task team leaders, environmental specialists, and non-environmental specialists. Interviews were conducted on the condition of anonymity in order to encourage candid responses.

³⁷World Bank, 2007c.

³⁸World Bank, 2001.

³⁹IEG, 2010.

⁴⁰World Bank, 2010c.

⁴¹World Bank, 2009a.

⁴²Wade, Robert Hunter, 1997.

⁴³IFC, 2009b.

⁴⁴MIGA, 2007.

⁴⁵ADB, undated a

⁴⁶EBRD, 2008, Environmental and Social Policy .

⁴⁷EIB, 2010.

⁴⁸NEPA, The National Environmental Policy Act of 1969, 42 USC § 4332.

2. Environmental Safeguards within an Updated WBG Environment Strategy

2.1 Introduction

The Bank's safeguard system has evolved over the years, gradually shifting from a "do no harm" approach towards a perspective that aims to take advantage of opportunities for environmental mainstreaming. The 2001 Environment Strategy stated that: "[t]he overarching objective of the safeguards system is to support the development efforts of our client countries in a manner that is environmentally and socially sustainable."⁴⁹ Based on the strategy, the implementation of the Bank's safeguard policies over the last years has been used as an opportunity for "environmental mainstreaming," enhancement of positive environmental impacts as goals in the project framework, and the strengthening of client's capacity for environmental management, even after the Bank project cycle has ended.

This chapter describes the evolution of the Bank's environmental safeguards; discusses, in the context of the 2001 Bank Environment Strategy, how safeguards have contributed to environmental mainstreaming efforts, enhancing positive environmental impacts and client capacity building; identifies lessons learned from safeguards in the course of implementing the 2001 Environment Strategy; and outlines challenges and opportunities to enhance safeguards implementation.

2.2 Evolution of the Bank's Environmental Safeguards System

The Bank's environmental agenda has evolved gradually since the 1970s. During the 1970s and 1980s, the safeguards framework evolved to focus on the mitigation of potential environmental damage associated with investment projects using an Environmental Impact Assessment (EIA) approach.⁵⁰ The approach was formalized in a set of individual environmental policies and procedures adopted gradually over time. While the first formal statement of the Bank's safeguards dates back to 1989, the safeguards system was debated extensively among Bank shareholders and stakeholders over a long period prior to approval. Elements informing the debate included legislative initiatives among Part I countries, which culminated in the 1989 approval of the so-called "Pelosi Amendment" by the U.S. Congress. This Amendment requires U.S. executive directors in multilateral banks to abstain from voting on proposed loans unless an EIA has been disclosed to the executive directors and the public at least 120 days before the date of the executive board decision.⁵¹

In October 1989, while the U.S. Congress was debating EIA requirements, the World Bank introduced an Operational Directive (OD 4.00) requesting "an environmental assessment for all projects that may have a significant negative impact on the environment."⁵² In 1991 the OD was amended as OD 4.01, making EIA documents available to executive directors and the public.⁵³ The Bank subsequently increased the number of environmental staff so that it could implement OD 4.01.⁵⁴ In the late 1990s, OD 4.01 was converted to Operational Policy 4.01 and made part of a suite of safeguard policies on protecting natural habitats, physical cultural property, and indigenous and vulnerable populations.⁵⁵ This was part of a gradual

⁴⁹ World Bank, 2001: 19.

⁵⁰ Goodland, R. and Mercier, J. 1999.

⁵¹ According to the Pelosi Amendment, the U.S. Executive Director of the World Bank cannot vote in favor of actions that have significant impact on the human environment unless an EA (including any relevant supporting documents such as environmental management plan, resettlement action plan etc.) has been disclosed at least 120 days before the Board voting date. This amendment applies exclusively to the action of the U.S. Executive Director and does not preclude Board approval; however, the U.S. Executive Director must either oppose or abstain (QACU 2008).

⁵² Hironaka, 2002: 70.

⁵³ Bowles and Kormos, 1999.

⁵⁴ Nielson and Tierney, 2003.

⁵⁵ Green K. and Raphael A. 2001.

strengthening of the Bank's environmental management systems during the 1990s.⁵⁶ By the time the Pelosi Amendment became effective, the safeguard policies had evolved into mandatory processes that were an explicit part of the Bank's workflow for designing and approving projects.⁵⁷

According to QACU:

The Safeguard Policies were developed in the 1980s and 1990s to address the general absence of corresponding Borrower safeguard systems (legal frameworks and implementing institutions), a condition that produced instances of severe adverse outcomes for the environment and project-affected peoples in a number of well documented and publicized Bank-supported projects.⁵⁸ At the time of their initial formulation, it could be said that the Safeguards reflected primarily the values of the donor countries...[s]ince that time many if not most Borrowers have adopted and, to varying degrees, have implemented legally binding Safeguard systems that are similar if not fully equivalent to the Bank's environmental Safeguard Policies, often with technical support from the Bank and other donors. This trend has been well documented in the Safeguard Diagnostic Reviews conducted under the Use of Borrower Systems (OP 4.00) pilot program, in particular with respect to environmental safeguards, and to a lesser extent social safeguards.⁵⁹

In 1997, the safeguard policies were labeled "do no harm" policies; the aim of the policies was the protection of people and the environment from all significant negative impacts.⁶⁰ In addition to avoiding harm to humans and the natural environment, emphasis was placed on managing reputational risk. According to the IEG, "the safeguards (do no harm) approach is basically focused on protecting the reputation of the Bank."⁶¹ According to QACU,⁶²

[M]any of the objectives and principles of the Bank's environmental Safeguard systems have now come to be reflected in international conventions and legal instruments such as the Biodiversity Convention, the (Aarhus) Convention on Access to Information, Public Participation and Access to Justice in Environmental Matters, and the (Espoo) Convention on Environmental Impact Assessment in a Trans-boundary Context, conventions which many Borrowers have themselves ratified. Bank generated approaches to many aspects of the EIA have been incorporated into "soft" international law or best practice guidance notes, such as the MFI-Environment Working Group Common Approaches to EIA, OECD-DAC guidance on Strategic EA and the principles set forth by the International Association for Impact Assessment. (Social safeguards, such as those reflected in the UN General Assembly Resolution on the Rights of Indigenous Peoples, and ILO Conventions on labor rights and working conditions, have also become part of the fabric of international human rights agreements, if not law.)

Establishment of the safeguards framework also led to a re-organization of environmental responsibilities within the Bank. Since the creation of the safeguards framework in 1999, the Quality Assurance and Compliance Unit (QACU) and the Environmental and International Law Unit of the Legal Department (LEGEN) have both served as reference units for safeguards issues. QACU, especially, has been called on to interpret and provide guidance on safeguards policies, to advise regional Vice-Presidencies on high risk projects, to operate a Safeguards Help Desk, and to conduct safeguard-related training. Regional Safeguards Advisors are responsible for approving the categorization and safeguards related documentation for each project in their region.

2.3 Safeguards as a Tool for Environmental Mainstreaming

The 2001 World Bank Environment Strategy recognized that the safeguard system is an important tool for integrating environmental and social concerns into programs and projects. Since the 2001 Strategy, the

⁵⁶ OED, 1999. OED, 2002.

⁵⁷ Boisson de Chazournes, 2000.

⁵⁸ See Rich, 1990.

⁵⁹ Lintner 2011, 2; According to Lintner (2010, 2) "In the case of social safeguards, some Borrowers continue to resist some of the basic objectives and principles of the Bank Safeguard systems (e.g., the need to restore livelihoods of displaced persons; compensation for "squatters;" use of full replacement cost for compensation; and recognition of the distinctive characteristics and rights of Indigenous Peoples)."

⁶⁰ World Bank, 2009a.

⁶¹ IEG, 2010: xxvi.

⁶² Lintner, 2011: 2.

Bank's safeguard policies have been invoked as a tool for "environmental mainstreaming," which refers to the extent to which environmental concerns are "fully internalized into all Bank activities and the extent to which environmental activities supported by the Bank make a difference in client countries' own environmental sustainability efforts."⁶³

The mitigation of negative environmental impacts encompassed by the "do no harm approach" is the main goal of the Bank's environmental safeguard policies, procedures, and guidance notes. The 2001 Strategy sought to move beyond the 'do no harm' principle embodied in the Bank's Environmental Safeguard Policies toward integrating environmental aspects across the range of Bank services. From the upstream stages of planning country assistance and policy dialogue to the choice of downstream development activities, consideration of environmental matters was intended to influence the design of sector programs and portfolios. This process would be facilitated by institutional realignment and a strengthened analytical basis to make the case for the environment as an important dimension of poverty reduction and economic growth.

One successful example of environmental mainstreaming at the Bank has been the expansion of "environmental business" in the energy sector. In the last decade, the energy sector shifted toward projects based on renewable energy, energy efficiency, and carbon finance associated with climate change. Currently, a large percentage of the energy portfolio consists of projects that a decade ago were part of the environmental portfolio. The instruments that facilitated environmental mainstreaming in the energy sector included a system of incentives aimed at maximizing the number of environmental projects in the energy portfolio.

The environmental safeguards practice in the energy sector contributed to sound environmental planning of hydroelectric projects. Since hydroelectric projects can either be very clean sources of energy, or exert negative environmental impacts including biodiversity loss, climate impacts, and social upheaval, Bank safeguard specialists developed a framework for deciding whether a hydroelectric project is environmentally acceptable. This approach has been combined with economic analysis, so that negative impacts are weighed against economic gains, and applied as a system-wide planning tool.⁶⁴

The Bank's Environment Department and the Water Anchor also took advantage of the 2001 Environment Strategy to jointly promote "environmental mainstreaming" in the water sector.⁶⁵ Achievements of the mainstreaming work of the water anchor are notable in several ways. From 2003 onwards the Bank re-engaged in high-risk water infrastructure. The Water Anchor was the first integrated unit under the Sustainable Development Network. It brought together water experts from the energy (hydropower) sector and water (urban and rural water supply and sanitation) sector formerly under the Finance, Private Sector and Infrastructure Group and water experts from the agriculture (irrigation) sector and environment sectors formerly under Environmentally and Socially Sustainable Development (ESSD). Dam development is environmentally risky and, from a safeguards point of view, requires great technical expertise. Since the Bank's environment policies do not provide explicit technical or procedural guidance on the allocation of

⁶³ Analytical work carried out under the Environment Strategy has examined thoroughly the lessons learned on the environmental mainstreaming from the 2001 Environment Strategy.

⁶⁴ Ledec and Quintero 2003.

⁶⁵ This argument is developed by Tlaiye and Awe (2010) in the Environment Strategy Background Paper on "Lessons from Environmental Mainstreaming: Towards Environmental Sustainability". This view is contested by QACU. According to Lintner (2011: 4): "Safeguard Policies are not designed to be an "entry point" for "mainstreaming" technical solutions to environmental impacts, but rather to set forth acceptable outcomes ("objectives") and procedural mechanisms ("operational principles") that are considered essential to attaining those objectives. If the Safeguard Policies need revision it is not because they do not generate technical solutions to all possible environmental or social issues, but rather because Safeguard practitioners, including many Borrowers, have evolved alternative procedural mechanisms for attaining the objectives of the Bank Safeguard policies (thus presumably diminishing the "essential" nature of what are effectively Bank-centric procedural requirements)."

water for ecosystem needs or environmental water requirements, the Bank's water sector identified the need for carrying out Environmental Flow Assessments (EFA).

From 2004 onwards, the Environment Department and the Water Anchor developed the Water and Environment Technical Notes⁶⁶ and Economic and Sector Work,⁶⁷ which provide the foundation for carrying out an environmental flow assessment in Water Resources Policies, Plans, and Projects in high-risk operations (such as the Lesotho Highlands Water Project and the Lower Kihansi Environmental Management Projects). The Water Anchor also increased engagement with the global conservation community and provided global leadership in the complex and highly contested area of water resources planning and development. The Water Anchor also produced Knowledge Products⁶⁸ and analytic work⁶⁹ - key tools supporting the mainstreaming of the environment in water resources planning and decision making. To this day, global conservation NGOs and the International Association for Impact Assessment (IAIA) are recognizing and embracing these contributions of the Bank, which are highlighted as international best practices. Box 1 provides a rational Framework for Action for mainstreaming environmental flow assessment into the Bank's high risk operations and water policy dialogue.

Box 1: Framework for Action to Mainstream Environmental Flow Assessment

1. Strengthen Bank Capacity

- Promote development of a common understanding across the water and environmental communities, including the need to incorporate EFAs into EIAs and SEAs; and
- Build capacity in EFA by broadening the pool of ecologists, social scientists, and environmental and water specialists.

2. Strengthen EFAs in Project Lending

- Guidance material and training for Bank and borrower staff;
- EA Sourcebook Update on the use of EFAs in EIA & SEA;
- Technical note on downstream social impacts of water resources infrastructure projects.

3. Integrate e-flows at policy & planning levels

- Promote e-flows in
- Water policy reforms
- Basin/catchment plans;
- Develop support material on e-flows in basin planning and water resources policy and legislation reforms;
- Draw lessons from developed countries which have experience in e-flows in catchment planning;

4. Expand Collaborative Relationships

- Expand collaboration with NGOs and international organizations to take advantage of their experience in developing countries;

Strengthen collaborative relationships with industry associations.

Source: Hirji and Davis 2009a.

2.4 Mitigating Negative Environmental Impacts: the “Do No Harm” Approach

The mitigation of negative environmental impacts is the main goal of the Bank's environmental safeguard policies.⁷⁰ However, in addition to ring fencing Bank financed projects, the implementation of the Bank's safeguards have helped build capacity in implementing agencies for mitigation of negative impacts (see Annex 1). In several countries the safeguards work has been systematized and disseminated at the sectoral level (see Box 2).

⁶⁶ Davis and Hirji 2004.

⁶⁷ Hirji and Davis 2009a.

⁶⁸ Krchnak et al., 2009.

⁶⁹ Hirji, R. and R. Davis, 2009b.

⁷⁰ Evans, 2010

Box 2: India – Dissemination of Good Practices in India’s Transport Sector Highway Projects

Between 2002 and 2004, the Bank produced a collection of 20 self-contained dissemination notes summarized in a report covering a wide range of topics and lessons learned in managing environmental and social concerns in the highway projects in India. A follow-up analytical work titled *Strengthening Institutions for Sustainable Growth in the Highways Sector*, undertaken as part of the 2008 India Country Environmental Analysis (CEA), analyzed and recorded several examples of best practice. These analytical products have been widely disseminated throughout India.

Source: Excerpt from Sonia Chand Sandhu, 2002.

The safeguards work has also led implementing agencies to adopt environmental and social management guidelines for mitigating negative environmental impacts in all projects designed and implemented by infrastructure agencies (see Box 3). Most of these guidelines concern environmental impact assessments and environmental management plans.

Box 3: India – The Punjab Rural Water Supply and Sanitation Project

The project financed investments in rural water supply and drainage improvement schemes to serve Punjab’s rural populations. The Environmental and Social Management Guidelines in the Punjab Rural Water Supply and Sanitation Project incorporated requirements for contractors to comply with regulations aimed at mitigating negative environmental impacts of water supply and sewerage investment projects. These guidelines have been adopted in the General / Special Conditions of all contracts issued by the implementing agency.

Source: World Bank 2005. Excerpt from Sonia Chand Sandhu, 2002

Compliance with the Bank’s safeguard policies has also resulted in the protection of biodiversity, including threatened and endemic species. For example, compliance with safeguard policies led to the design and implementation of networks of protected areas such as in the case of the Yacyreta hydroelectric project (Box 4).

Box 4: Argentina and Paraguay – Yacyretá Hydroelectric Project

The Bank was involved in the Yacyretá hydroelectric project from the late 1970s until 2006. In order mitigate negative environmental impacts associated with flooding of fragile ecosystems and be in compliance with OP/BP 4.04 Natural Habitats, the Bank supported the design and implementation of a network of 12 new compensatory protected areas. Legal protection was secured for 58,000 hectares in Paraguay and Argentina out of a total network system of compensatory protected areas that comprises of 187,000 ha in 11 protected sites. The habitats include river islands and riparian habitat that harbor a number of threatened and endemic species.

Source: World Bank 2005. Excerpt from Ledec and Ouintero 2006.

2.5 Enhancing Positive Environmental Impacts

Evidence suggests that the Bank’s environmental practices have taken advantage of safeguards policies to incorporate positive environmental components during preparation and project design (beyond mitigation of potential harm from project activities). There are a number of "beyond safeguard compliance" examples to demonstrate that the Bank's safeguards policies provide an entry point for environmental specialists to promote the inclusion of positive environmental impacts as goals in projects not centered on the environment per se (see Box 5 and further examples in Chapter 7).

Box 5: Colombia – Guajira Water and Sanitation Infrastructure and Service Management Project

The Colombia Country Environmental Analysis had identified inadequate water supply sanitation and hygiene as one of the most pressing environmental priority problems in Colombia. During project preparation, the environmental safeguards work found that child mortality, morbidity and child malnourishment were associated with the incidence of diarrhea-related diseases in the Wayhu indigenous communities in la Guajira. Environmental safeguards became the entry point for including a component on hand washing and education for hygiene and water resources management. The pilot approach includes activities for the establishment of community-based institutional arrangements for sustainable management of investments; and education for hygiene and water resources management, leveraging the traditions and cultures of the indigenous Wayhu communities.

Source: World Bank 2007e.

2.6 Building Environmental Management Capacity

Evidence highlights good practices in using safeguards as an entry point to build environmental management capacity in implementing agencies of Bank-supported projects. Such good practices have been developed on an ad-hoc basis and are contingent on active and upstream client engagement on environmental issues, investments in client capacity, and renewal of staff skills.

Working under the leadership of client countries and with other international financial institutions, donors, and NGOs, the Bank has helped to build environmental management capacity at the national level. With strengthened capacities, countries such as Bhutan and Ecuador have been able to manage the environmental impacts of projects even after Bank support has concluded, and this capacity is also likely to be used for other projects that are not funded by the Bank (see Boxes 6 and 7). The Bank committed in the 2001 Environment Strategy to work with countries to strengthen their own capacities. While progress has been made, there is still a need to develop a consistent and proactive approach that recognizes the diverse country needs.

Box 6: Ecuador – Enhancing Environmental Impact Assessment Capacity

From 2001 to 2002, Ecuador's Ministry of Environment, with support from NGOs, the Inter-American Development Bank, and the World Bank, drafted state-of-the-art environmental planning regulations. The adoption and implementation of these regulations helped Ecuador gain leadership throughout Latin America in environmental planning of infrastructure projects.

Some of the innovations in the Environmental Impact Assessment regulations included (1) empowering line agencies for leading EIA processes under their sectoral mandate; (2) requiring analysis of alternatives in EIA; (3) requiring a broad public scrutiny in the identification and selection of project alternatives; and (4) opening government decision-making procedures to public scrutiny.

Box 7: Bhutan – Strengthening Environmental Safeguard Policies

During the preparation of the Bhutan Second Rural Access Project, there was concern within Bhutan that a project-by-project and sector specific approach to use the Bank's environmental safeguard policies was of limited benefit, and did not offer the appropriate scope to address safeguard concerns in a more systemic and holistic manner. Environmental safeguards practice became the entry point for a dialogue with the Government of Bhutan (GoB) on capacity building in environmental assessment. The GoB requested Bank's support for a multi-sectoral approach for updating of Bhutan's overall environmental safeguard policies and strengthening its capacity to effectively implement them. To support GoB's request, the Bank undertook analytical work aimed at assessing Bhutan's overall environmental safeguard system, beyond the narrow project-by-project approach, as proposed in the Bank's country systems pilots. The overall country environmental safeguard review provided an overall assessment of Bhutan's environmental safeguard system. It provides a broad overview of some key legal, policy, and institutional challenges and highlights some options for possible future action. The analytical work looked at the equivalence and acceptability of Bhutan's relevant policies on Environmental Assessment, Natural Habitats, Forests, Physical Cultural Resources and Safety of Dams. The Bank was also able to use an IDF grant fund to help the government in updating its Environmental Assessment Act and Regulations, and revise its environmental codes of practice for a number of sectors. The IDF grant supported the updating of the Environmental Assessment Act of Bhutan, which is expected to be approved by the GoB. Regulations for Environmental Clearance of projects and eight codes of environmental practice have been revised.

Source: Excerpt provided by Malcolm Jansen

In addition, the Bank has also assisted implementing agencies in strengthening their environmental management capacity using policy-based operations. Policy-based loans, which are increasing as a share of the Bank's portfolio, provide another entry point to enhance the positive environmental effects of Bank support, including in policy reforms beyond the environment sector. (See boxes 8, 9, 10, and 11). Programmatic loans, which account for the majority of policy-based operations in some regions, offer an opportunity to identify gaps and weaknesses in the country's environmental management capacity and develop a phased program to build country capacity, both as part of the policy-based operations and with other Bank instruments.

Box 8: Turkey – Environmental Sustainability and Energy Sector Development Policy Loans

The series of DPLs in Turkey aims to enhance energy security by promoting private sector clean technology investments and operations; integrate principles of environmental sustainability, including climate change considerations in key sectoral policies and programs; and improve the effectiveness and efficiency of environmental management in the context of harmonization with the Environmental Acquis of the European Union. With the support of these operations, Turkey approved an EU Integrated Environmental Approximation Strategy, transposed the EU Directive on Environmental Impact Assessment into law, issued a regulation on landfill of waste, approved a Clean Air Action Plan, and designated and published sensitive and less sensitive areas for the improved management of water resources and water quality. These actions help sustain economic growth, create more jobs, reduce poverty, contain emissions, and improve the quality of life and health of its citizens.

Source: World Bank 2010d. Excerpts provided by Adriana J. Damianova.

Box 9: Morocco – Solid Waste Development Policy Loan

The Bank developed a series of DPLs in the municipal solid waste sector in Morocco. The DPLs provided a conduit for engaging the Moroccan government in systemic changes and improvement in the national EIA system. In particular, following a thorough analysis of the national EIA system, both regulatory and institutional improvement measures were identified and agreed upon with the Moroccan government. The main measures consisted of the enactment of a decree introducing public consultation as part of the EIA process and the establishment of regional EIA committees to facilitate the review of the EIA reports for medium-sized projects at the local level.

Source: World Bank 2009c, excerpts provided by Hocine Chalal and Monica Dorhoi.

Box 10: Morocco – The Oum Er Rbia Sanitation Project

This project triggered the Environmental Assessment safeguard policy, which was subject to piloting under the Use of Country Systems. An Equivalence Analysis comparing the Bank's requirements with Morocco's laws, regulations, administrative requirements, and guidelines applicable to environmental assessment found key gaps, including: (1) absence of sufficient detail in the prescribed content for Environmental Management Plans; (2) unclear requirements for consideration and assessment of alternatives, including the "no project" alternative; (3) lack of reference to consultation of stakeholders in the EA process; and (4) unclear relationship between public consultation and disclosure requirements. To fill these gaps, the project helped build the environmental management capacity of Morocco's National Office of Water to develop an operational environmental and social strategy with updated policies and procedures for consultations, disclosure, and use of environmental and social performance indicators at the national level. The EIA system adopted includes the analysis of alternative project options including the "no project alternative".

Source: World Bank 2010e, excerpts provided by Hocine Chalal and Monica Dorhoi.

Box 11: Pakistan – Punjab Irrigation Development Policy Loans

The use of Development Policy Loans (DPLs) has been effective in building capacity in environmental management in implementing agencies of the Bank’s financed projects. Pakistan’s Punjab Irrigation DPL included reforms aimed at strengthening the capacity of the Punjab’s Irrigation Department for assessing and mitigating social and environmental risks associated with asset management activities. As a result, a Social and Environmental Management Unit was set up within that Department, which is fully staffed and functional even after Bank funding to this Department ended.

Some of the landmarks achieved by the capacity building program include the development and implementation of guidelines for the identification of social and environmental risks associated with the maintenance and rehabilitation of irrigation infrastructure. These guidelines include a comprehensive capacity development program for the technical staff in the Irrigation Department to increase its awareness on social and environmental issues. Implementation of guidelines is fully institutionalized and includes regular dissemination of environmental activities through a newsletter. In Pakistan, an ex-post evaluation found that, as an instrument, the DPL is a more powerful tool in introducing long-lasting and sustainable reforms than a standard investment loan, which has a more project-based approach.

Source: World Bank 2006. Excerpt provided by Javaid Afzal.

2.7 The 2001 Environment Strategy and Challenges to the “Do No Harm” Model of Safeguards

The 2001 Environment Strategy stipulated short-term (to be enacted in FY2002) and medium-term actions to meet the overall objectives for enhancing the ‘do no harm’ approach under the Bank’s safeguards system (see Table 2). The 2001 Strategy recommended improving the safeguards system through: (1) strengthening the implementation of safeguards policies, including instituting a tracking system for safeguards compliance; (2) reviewing the current safeguards policies and evaluating their application to new lending instruments and changing approaches to development assistance; and (3) working with client countries and other development institutions to review and strengthen client safeguard capacity and harmonize safeguard procedures.

Table 2: 2001 Environment Strategy Implementation and Monitoring Index for Improving the Safeguards System

<i>Objectives</i>	<i>Medium-term target (5-year)</i>	<i>Fiscal 2002 target</i>
Strengthen the implementation of safeguard policies, including the use of a tracking system for safeguard compliance by policy	<ul style="list-style-type: none"> • Establish an integrated risk management framework • Strengthen corporate consistency and oversight • Integrate safeguard tracking and reports on safeguard policy compliance into project management system • Adopt and use compliance indicators on a routine basis for the entire portfolio • Establish and meet targets for safeguard performance during quality at entry and supervision in QAG reviews 	<ul style="list-style-type: none"> • Establish and implement an integrated safeguard system and operationalize the Integrated Safeguard Data Sheet (ISDS) • Establish and operationalize a corporate safeguard compliance tracking and monitoring system • Strengthen corporate oversight • Achieve target ratings for the environmental aspects of quality at entry and supervision for the Bank’s portfolio • Review all projects at risk and take measures to reduce risk • Establish systematic staff safeguard training program
Review the current safeguard policies and evaluate their application to new lending instruments and changing approaches to development assistance	<ul style="list-style-type: none"> • Develop the medium-term workplan for reforming the safeguard system • Address safeguard policy issues in a consistent manner by undertaking regular reviews to identify lessons 	<ul style="list-style-type: none"> • Develop a medium-term workplan for reforming the safeguards system • Identify good practice and guidance for addressing safeguard policy issues in sector adjustment lending and new lending instruments such as CDD projects

Work with clients and other development institutions to review and strengthen client safeguard capacity, and harmonize safeguard procedures	<ul style="list-style-type: none"> • Engage with at least 10 countries in discussions on in-depth EA capacity assessment and strengthening • Implement a comprehensive client safeguard training plan 	<ul style="list-style-type: none"> • Agree on a methodology for client capacity assessment • Engage with at least two countries in discussions on in-depth EA capacity assessment and strengthening • Prepare and pilot a comprehensive client safeguard training plan
---	---	---

Source: Table from the 2001 World Bank Environment Strategy (page xxxiv)

The Bank strengthened its corporate oversight of compliance by establishing, in the late 1990s, the safeguards Quality Control and Compliance Unit (QACU),⁷¹ under the OPCS vice-presidency. Before 2006, QACU, along with the LEGEN, functioned within the Environmentally and Socially Sustainable Development (ESSD) Network. After 2006, an organizational restructuring transferred QACU and the RSAs to the Operational Policies and Country Systems (OPCS) network to ensure that no conflicts of interest were posed by quality control and compliance review responsibilities.

Following the 2001 Environment Strategy, a reallocation of the Bank’s safeguards compliance assurance (in 2003) put responsibility for certifying safeguards compliance for most projects, including category B and FI projects, in the hands of sector managers. Regional Safeguard Advisors⁷² (RSAs) have oversight responsibility for ensuring that safeguard considerations have been adequately incorporated into the design of Category A projects and have some role in the oversight of high-risk category B and FI projects, as well as ensuring that the process of safeguards due diligence and clearance review is adequately implemented.

The 2001 Environment Strategy also resulted in an increased budget for safeguards-related activities, which came to be conducted under QACU’s ambit and the Regional Safeguard Advisors (RSAs). The Quality Control and Compliance Unit has strengthened its role by providing training on safeguards, assisting vice-presidencies in preparing management responses to Inspection Panel investigations, conducting analytic work related to safeguards, leading the dialogue on country systems, implementing pilots on the use of country systems (in the context of the Bank policy on Country Systems- OP 4.00), and leading safeguards policy design and implementation. However, increased budgets for safeguards-related activities may not continue under the Bank’s current flat budget environment. For example, when OP 4.00 was approved, resources were made available to regions to implement the policy. These resources were removed in fiscal 2011.

The 2010 IEG evaluation on safeguards found that the Bank has improved the allocation of attention to safeguards compliance, especially for Category A projects. The evaluation also found that the institutional restructuring—including the transfer of QACU to OPCS—had led to greater attention to safeguards. At that time, there was evidence of more emphasis on screening projects at entry, (especially with greater attention to Category A projects), and more emphasis on procedural requirements during appraisal, with individual projects having clearer guidance on procedures and more mandatory requirements.⁷³

The strengthening of corporate oversight of compliance was an important signal of the Bank’s intention to improve safeguards. However, according to the Sector Strategy Implementation Update (SSIU), the World Bank’s goal of improving the safeguard system from 2002 to 2007 was only moderately achieved.⁷⁴ Several internal reviews as well as the interviews conducted as part of this analytic work indicate that after almost a

⁷¹ World Bank, 2002.

⁷² At the regional level, safeguard implementation and compliance is the responsibility of the Regional Safeguard Advisors (previously called Regional Safeguard Coordinators).

⁷³ IEG, 2010.

⁷⁴ World Bank, 2007c.

decade of implementation, achievement of the 2001 Strategy's objective of strengthening implementation of safeguard policies is still a priority.⁷⁵

Recommendations that continue to be a priority for the Bank include enhancing the training of operational environmental safeguards specialists, establishing a tracking and monitoring system for safeguards-related work, developing a risk management framework, and developing a safeguards framework that adapts to changes in Bank operations and lending.

As examined in depth in Chapter 3, several internal and external evaluations⁷⁶ and results from this analytic work found significant scope for improving performance with respect to implementation of safeguard policies, especially in the areas of supervision, monitoring, and completion reporting. Relative to project preparation and appraisal, supervision of Category B projects was in need of improvement. As detailed in Chapter 4, the 2001 Strategy recommended that a systematic training program be developed for all relevant Bank staff over a five-year period. However, findings of this report indicate that the nature and accessibility of the current training program has room for improvement. The current training program is not tailored to the Bank's portfolio needs and has not reached a significant number of country offices' staff, many of which have a prominent role in safeguard implementation and oversight. Moreover, the training program tends to be introductory in nature and could be strengthened by emphasizing technical aspects required for carrying out effective safeguards work. Knowledge of safeguards was found to be unevenly distributed among both Bank staff and Bank clients, who are ultimately responsible for safeguard compliance.

Moreover, as discussed in Chapters 5 and 6, the evaluations reveal that categorization is not always determined by the riskiness of a project, and that clear indicators for risk could not be identified. Environmental and social outcomes of projects are not always articulated; performance indicators are not always integrated into project framework; and monitoring and evaluating data are not routinely collected and used.

In 2005, the Bank recognized that safeguard policies faced new challenges as a result of the ongoing shift in Bank operations and a changing lending profile.⁷⁷ These changing circumstances are characterized by the following: a diversification of Bank clients, ranging from middle-income countries with well-developed institutions and capacities to fragile and conflict states with weak institutions; an increased role of the private sector as a development partner of the Bank, which yields an increasingly important role for IFC and the Multilateral Investment Guarantee Agency (MIGA) in the WBG's overall portfolios; the evolution of the WBG's lending portfolio from heavy reliance on stand-alone investment projects toward greater use of other financial instruments; the increased prominence of analytical and advisory services offered by the WBG to build client institutions and capacities; and the growth of DPLs as an important portion of the Bank's portfolio.

2.8 Opportunities

Bank Management has committed to undertaking a two-year global review of good practices that can form the basis for environmental and social safeguard policy updating and consolidation.⁷⁸ The work plan envisions consultative work leading to a reform of the safeguards policies themselves in order to adapt them to the changing approaches in lending.

⁷⁵ See World Bank, 2007c, World Bank- LCR-2006, IEG 2010.

⁷⁶ See World Bank- LCR-2006, World Bank 2007c, IEG 2010.

⁷⁷ World Bank, 2005.

⁷⁸ Revision of the two legal safeguard policies, concerning projects on international waterways and projects in disputed areas, will be subject to a separate process.

Bank Management has also committed to engaging in capacity building in client countries; strengthening supervision of medium and low-risk projects; initiating a mandatory Operational Core Course for task team leaders (TTLs), which includes modules on safeguard policies and their implementation; initiating a certification and accreditation program for safeguards and environmental staff; expanding the pool of qualified environmental and social staff that can provide support on safeguards; developing guidelines on monitoring and evaluation of safeguards-related work; and introducing risk assessment and a management framework for safeguards.⁷⁹

2.9 Conclusion

The Bank's Environmental safeguard policies have been effective at mitigating the negative environmental impacts from investment projects. The environmental safeguard policies also have helped to enhance positive environmental impacts of project design, (beyond mitigation of potential harm from project activities), and to build environmental management capacity in implementing agencies of Bank-supported projects. However, good practices for enhancing positive environmental impacts and building client capacity have been developed on an ad-hoc basis and are contingent on active and upstream client engagement on environmental issues, investments in client capacity, and strengthened staff skills.

The 2001 Environment Strategy stipulated specific fiscal 2002 and medium-term actions to meet the overall objectives for improving the safeguards system. In response to those recommendations, the Bank strengthened corporate oversight of safeguards compliance, particularly via actions of QACU, LEGEN and the RSAs. However, several of the recommendations for strengthening its "do not harm" model continue to be a priority for the Bank.

Several internal and external evaluations⁸⁰ and results from this analytic work found significant scope for improving performance with respect to implementation of safeguard policies, especially in the areas of supervision, monitoring, and completion reporting. Relative to project preparation and appraisal, supervision of Category B projects was in need of improvement. Moreover, the evaluations reveal that categorization is not always determined by the riskiness of a project or based on objective criteria. Environmental and social outcomes of projects are not systematically monitored, performance indicators are not integrated into project results framework, and data to monitor and evaluate are not routinely collected and used.

Recommendations that continue to be a priority for the Bank include: enhancing the training of operational environmental safeguards specialists; establishing a tracking and monitoring system; developing an objective environmental categorization of projects and an environmental risk management approach; and shaping an environmental safeguards framework that adapts to changes in Bank operations and lending.

⁷⁹ World Bank, 2010f

⁸⁰ See World Bank-LCR 2006, World Bank 2007c, IEG 2010

3. Enhancing Safeguards Implementation

3.1 Introduction

The 2001 Environment Strategy called for a more robust skills mix for safeguards implementation through the enhancement of systematic training of operational staff and management on safeguards policies and implementation. However, several evaluations of the Bank's safeguards policy implementation reveal that shortages in environmental safeguards specialists and inadequate expertise, among other factors, are affecting the quality of safeguards implementation.⁸¹

This chapter: (1) assesses the current staffing and skills mix of those engaged in safeguards-related work and recommends measures to enhance the staffing and skill levels needed to ensure effective safeguards implementation; (2) proposes an incentive structure that recognizes safeguards as a formal professional activity at the Bank; (3) indicates ways to improve safeguards performance through, for example, the modification of performance evaluation protocols and the inclusion of safeguards indicators in business plans, Implementation Supervision Reports, and Implementation Completion Reports; and (4) identifies options for resolving organizational challenges in order to enhance safeguards implementation.

3.2 Current Staffing and Skills Mix

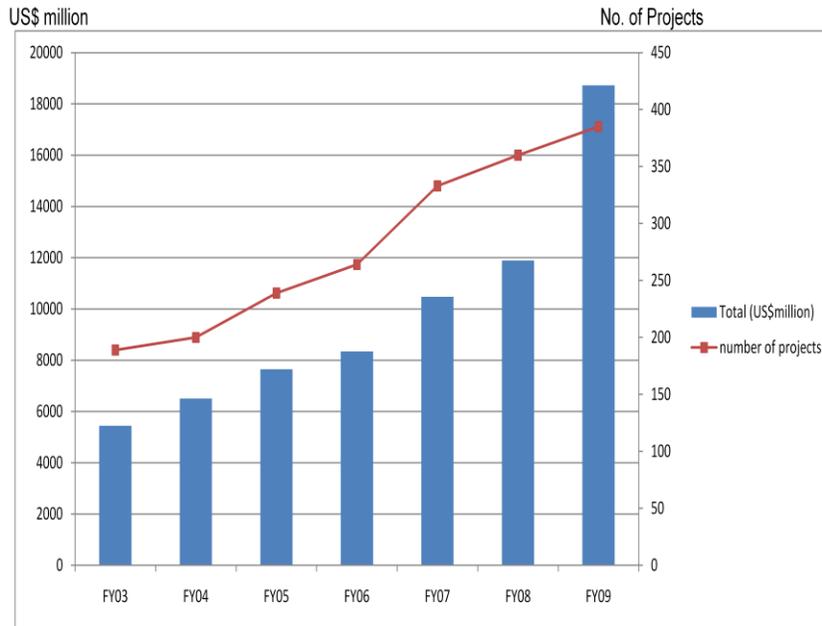
3.2.1 Assessment of Staffing Mix

There is a severe shortage of environmental safeguards specialists, especially given the recent increases in Bank lending. Total Bank lending increased sharply starting in fiscal 2008 and is still rising. For fiscal 2009, commitments by the International Bank for Reconstruction and Development (IBRD) rose 144% compared to the previous fiscal year. Total lending again increased substantially in fiscal 2010. These increases in total lending have included similarly sharp jumps in lending for infrastructure projects, as shown in Figure 1. Lending for infrastructure started to rise sharply after fiscal 2007, and those spending increases have been accompanied by a corresponding rise in the total number of infrastructure projects. Notwithstanding the Bank's 350% increase in lending between 2000 and 2010, Bank staff mapped to safeguards-related areas in 2010 remained at a level similar to the one in 2000; this occurred even as the number of staff mapped to infrastructure areas increased by 30 percent. In some regions, the number of safeguards specialists has more than halved. For example, during the past five years, the Latin America & Caribbean Region (LCR) experienced a dramatic reduction in the number of safeguards specialists, with the total number falling to four.⁸² Findings from this report found that staff shortages in the African region have caused some safeguards specialists to be spread thinly by having to take on additional roles, including task managing projects.

⁸¹ See World Bank, 2003; Batstone, et al. 2003; LCR- Quality Assurance Team, 2006; Green, 2008; Whitford and Mathur, 2008; LCR, 2009; IEG, 2010.

⁸² These figures are based on data provided by regional environment sector managements, regional safeguards advisors (2010) and the Bank Warehouse.

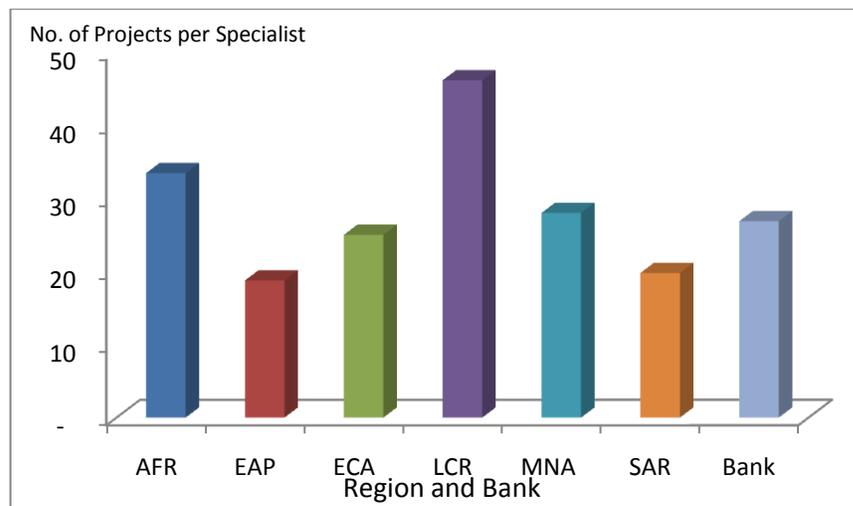
Figure 1: World Bank Infrastructure Lending, FY03-FY09



Source: Business Warehouse (including IBRD/IDA, GEF, Special Financing Guarantees, carbon off set, and Recipient Executed activities)

Source: Business Warehouse and Elena Correa, 2010

Figure 2: Number of Projects per Safeguards Specialist⁸³ by Region



Source: Cecilia Belita, 2010, from Business Warehouse and data provided by Regional Safeguards Advisors and Environmental Sector Managers.

Safeguards specialists, RSAs, and TTLs interviewed in the course of this analytic work on safeguards felt that there was a shortage of staff dedicated to safeguards work, as well as shortfalls in the skills mix. Several environmental specialists stated that the number of person-weeks allocated, on average, for safeguards work during preparation and supervision of Category A projects is 1.5-2 for each phase, which

⁸³ Safeguard specialists are environment specialists within the regional environment units that provide safeguards support, in addition to carrying out other environmental sector activities (See Box 12 below).

falls short of the 3-4 person-weeks per year during preparation and during supervision deemed the appropriate minimum requirement by previous analytic work.

Staff members interviewed for this work consistently underscored that safeguards experts were regularly selected on the basis of “availability”. When asked to further elucidate the availability criterion, they explained that, due to the “perpetual shortage” of environmental specialists, they would draw on specialists in environmental units primarily for high-risk projects. If no environmental specialists were available, then they would draw supplemental staff from a roster of consultants who would be mentored or backed up by a relevant Bank staff member while performing safeguards tasks. Interviewees noted the absence of a structured approach to the selection of relevant safeguards specialists (either Bank staff or consultants) when shortages existed in a region; as one interviewee put it, selection of staff was done on an “ad hoc” basis.

Interviews conducted for the IEG study pointed to an important explanation for the low levels of environmental safeguards specialists: “staff promotions are slanted towards own-managed projects more than toward providing safeguards services.”⁸⁴ Similar concerns were reiterated by Bank staff interviewed for this analytic work; they noted a severe shortage of experts on safeguards, which, in the view of some, likely existed because safeguards work is neither recognized as essential at the Bank nor heralded as an attractive career choice. Interviewed safeguards experts regarded their work as a “hassle factor” and indicated that they meet more problems inside the Bank than outside when exercising their safeguards duties. Another interviewee noted that safeguards experts are given responsibilities but not the tools for ensuring compliance. One respondent referred to a fundamental asymmetry in safeguards work: as long as “things go well” there is little recognition for the safeguards specialist, but if the project comes under the Inspection Panel’s scrutiny, the safeguards specialist is held accountable. These interview responses lend support to assertions by independent analysts who stated that safeguards activities are regarded as an add-on or a “non-core” service within the Bank, and that these activities are left to under-resourced environmental and social specialists with little or no role on project supervision teams.⁸⁵

These organizational tensions are further compounded by existing budgetary arrangements that lead to low levels of staffing during project supervision. Budgets for supervision are not sufficient to adequately meet safeguards support needs, which in turn inhibits the ability of the Bank to effectively target resources toward projects with relatively high environmental and social risk.⁸⁶ The Bank’s projects’ budget does not include adequate funding for regular supervision of category B projects by environmental safeguards specialists.⁸⁷ TTLs may opt not to spend budgetary allowances on safeguards issues and, in fact, they have incentives to cut costs during supervision because of budget constraints. The 2010 IEG evaluation on safeguards emphasized deficiencies in supervision, arguing that “more than a third of World Bank projects had inadequate environmental and social supervision, manifested mainly in unrealistic safeguards rating and poor or absent monitoring and evaluation.”⁸⁸

Regional Safeguard Advisors and QACU support “the argument for more staff resources used more effectively.”⁸⁹ According to QACU:

“It is a message that is needed, even if not necessarily welcome in a time of serious budget cuts. [This paper] makes a number of very welcome recommendations on how the Bank can augment, better allocate, and motivate its human resources to enhance its focus on environmental and social outcomes.”⁹⁰

⁸⁴ IEG, 2010: 36

⁸⁵ Duke and Aycrigg, 2000

⁸⁶ Whitford and Mathur, 2008

⁸⁷ World Bank-LCR, 2006

⁸⁸ IEG, 2010: xii

⁸⁹ Lintner, 2011; 3.

Some scholars have suggested that the Bank's matrix management system, in which budgetary arrangements interfere with the organizational structure, undermines any attempt to enhance attention to safeguards policies within the organization. They point out that, with budget control in the hands of country directors, environmental (and social) specialists are forced to sell their services in an internal competitive market that naturally removes incentives for task managers to hire specialists who, in the minds of some TTLs, call for lengthy and expensive environmental assessments.⁹¹

3.2.2 Assessment of Skills Mix

The undersupply of environmental safeguards specialists is compounded by shortfalls in the mix of skills possessed by safeguards specialists.⁹² The Bank has very few specialists doing safeguards work in biodiversity or pest management, and it has no safeguards specialists with expertise in risk assessment, occupational health, risk management, noise pollution, environmental health, industrial safety, or environmental flow assessment. One staff member interviewed for this analytic work reported that the skills mix encountered in his work was very limited, with only one or two experts with strong technical capabilities and the others having a more "generalist" background in safeguards. Another respondent reported that there is a lack of skill on innovation, technology, and sub-specialty areas such as forest issues.

Safeguards specialists often operate in areas far from their subject matter specialties. Often, one safeguards specialist is expected to provide operational support on projects in a variety of sectors, ranging from energy to transport. However, supervising preparation of environmental documentation for even a single project type, such as a dam for hydroelectric power, requires a number of technical specialties. In the example of the hydroelectric project, those specialties might include limnology and eutrophication, environmental flows, ionic equilibrium at low temperatures, aquatic and terrestrial biodiversity, dam safety, sediment transport, watershed management, and so forth. A single Bank specialist, no matter how well-trained, is not able to provide all the necessary support for twenty or thirty projects in different sectors, much less in all of the subject areas required by the Bank's safeguards policies.

This analytic work found that environmental safeguards support is increasingly being provided by junior specialists with little or no experience in environmental engineering or environmental sciences. Because providing safeguards operational support is not viewed as a viable career path within the Bank, in some regions the majority of operational support is provided by junior staff members. New hires in the environmental arena typically have been for junior professionals in country and regional offices. According to Bank staff members interviewed for this analytic work, these junior staff members typically have few (if any) years of experience in environmental engineering or environmental science. Moreover, in an effort to find a career path that has more promising opportunities for promotion, many junior environmental safeguards specialists are refocusing their work programs away from safeguards and towards environmental operations, particularly analytic work and investment loans.

The interviews conducted for this report also highlighted the differences in skills mix needed across regions. For instance, interviewees from the East Asia region reported a high demand for natural habitat specialists. In Africa, more physical cultural resources specialists are needed. In South Asia, the greatest reported need was for pest management experts. In the Middle-East and North Africa Region, more experts with infrastructure background skills are needed. Overall, respondents emphasized that the skills mix

⁹⁰ For QACU, strengthening safeguards supervision and similar recommendations "derived from the recent IEG report on Safeguards and other evaluations of the Bank's implementation of its current Safeguard system, are relevant and appropriate only if it is assumed that the Bank remains committed to the objectives and most of the key operational principles of its current safeguard system as articulated in its Operational Policies." Lintner 2011: 3.

⁹¹ Weaver and Leiteritz, 2005.

⁹² LCR 2006; LCR. 2009.

should dynamically reflect the shifts in the composition of the Bank’s portfolio over time, which is not typically the case. More broadly, an emerging gap was reported between the increasing technical and technological sophistication demanded by some clients and the staff’s ability to provide the required expertise.

3.3 Environmental Safeguards Specialists’ Staffing and Skill Levels

The current level of staffing is not adequate to meet the increased demand for safeguards work. Results from this analytic work found that, under the best scenario, the Bank-wide supply of safeguards operational support is around 3,000 staff weeks. Data collected during the course of this analytic work reveal that the total requirement for providing the minimum necessary safeguards operational support for the current portfolio would necessitate almost tripling the supply of staff time. Providing best-practice operational support, and recognizing the need for greater time allocation for the subset of category A projects recognized as being especially “high risk,” would necessitate further increasing the supply of safeguards-allocated staff weeks. Under the current implementation framework, demand will continue to outstrip supply as lending continues to increase and the number of safeguards specialists continues to fall.

3.3.1 Broadening the Skills Mix

There are a number of actions that could be taken to broaden the mix of skills that Bank environmental safeguards specialists bring to the tasks of safeguards implementation. Many of these strategies involve the provision of in-depth training to existing environmental safeguards specialists.

To help increase the knowledge base of Bank staff, environmental units within the regions can enhance training of their existing staffs in specialties that vary by both topic and sector. If a region determined that it needed more expertise in water quality impacts associated with dams, for instance, then an existing staff member could be assigned more of these projects and provided with training and educational opportunities to synergize with their on-the-job learning so they could become an expert in the field. Training opportunities should be based on the needs of particular regions because the supply and skill mix of safeguards specialists vary across regions, and the needs of different regions vary based on the types of projects in their portfolios. The determination of the appropriate mix of skills and the design of a staff hiring and training program should be an element of the business plans developed by senior safeguards specialists within the regions; such business plans are discussed more fully in a later section of this chapter.

In addition to augmenting capabilities in areas for which a region has great need based on the nature of its work, the Bank should encourage cross-support between regions, based on borrowing staff with the requisite experience and skills. These exchanges could take place on an as-needed basis. Given the realities of budget constraints, as well as the specialized nature of needs across the regions, the Bank will not be able to quickly hire the types of specialists needed for safeguards work that are currently lacking, such as those specialists with expertise in risk assessment and risk management, occupational health and safety, environmental health, pest management, and biodiversity conservation, among others. By hiring such specialists in the regions where they are most needed and then making those specialists available on loan to other regions, it will be possible to address inadequacies in skills mix in the short term.

Another strategy that has been used by international financial organizations to provide the skills mix needed in particular regions is to rely more heavily on third party supervision, particularly on specialized international consulting firms. Specialized companies can augment capabilities in areas where hiring staff cannot be justified because those specialties are only rarely used. Opting for greater outsourcing of safeguards support in highly specialized areas would provide the necessary flexibility required by the need to dynamically adjust the skill mix as the composition of the Bank’s portfolio varies over time. Social and environmental specialists have suggested the establishment of a roster of local consultants that could be

trained in Bank safeguards and contracted on a retainer basis. These local consultants could help enhance project supervision.⁹³

Collaboration with conservation organizations such as TNC, WWF and NHI in the area of environmental flow assessments has also provided a strong basis for developing knowledge products for use by Bank TTLs.

3.3.2 Strengthening a Dedicated Career Track for Safeguards Specialists

Within QACU and among RSAs, there exist career advancement opportunities for staff working full-time in safeguards. QACU, which is headed by a senior advisor, is the nodal unit within the Bank for safeguards and includes staff who are primarily engaged in safeguards-related work. Similarly, RSAs include environmental and social safeguards specialists who devote full time to quality control, compliance review, safeguards training, dialogue on country safeguards systems, and assistance to regions in preparing management responses to Inspection Panel investigations.

In the IFC, career advancements are available for those engaged primarily in safeguards work. Multilateral development banks, such as the Asia Development Bank (ADB) and the IADB, have formal job mapping configuration for staff who work primarily on safeguards; these staff are mapped formally with titles such as “social safeguards specialist,” “senior social safeguards specialist,” and “principal safeguards specialist.”

The interviews conducted for this analytic work, together with the 2010 IEG evaluation, revealed that the work of Bank safeguards specialists is not recognized as an important or attractive career choice. Many environmental specialists at the Bank do not view safeguards work as a way to advance professionally and build a career at the Bank. Strengthening a safeguards career track can serve the interests of safeguards specialists by helping elevate their profile and provide opportunities for career advancement in the course of doing safeguards work. Such a strengthened career track would also make it attractive for well-qualified environmental specialists to become engaged in safeguards work.

Strengthening the safeguards career track might require the Bank to acknowledge the specialization of staff engaged in environmental safeguards-related work within the Bank. Specialists who engage primarily in safeguards-related activities are only known colloquially within the Bank as “environmental safeguards specialists” (See Box 12 below for a description on safeguard specialists). While safeguards specialists tend to possess a background, training, and expertise in environmental assessment, natural habitats, or pest management that is often not shared by non-safeguards environment staff, this reality has not been formally recognized by the Bank.

However, strengthening the safeguards specialist career should not be done in a way that restricts environmental safeguards specialists’ ability to gain richer exposure to the Bank’s operation and knowledge products in the environmental arena. Such an approach would come at the expense of exacerbating their separation and isolation from others doing environmental work at the Bank. For instance, safeguards specialists should not limit themselves to performing reviews of environmental documents; this would generate an “ivory tower” within the Bank and subvert the goal of increasing the role and recognition of safeguards specialists and reducing their isolation from the Bank’s other environment-related activities.

Most of the Bank staff members interviewed for this analytic work felt that highly specialized safeguards specialists would provide better support for safeguard compliance. In contrast, regional environment sector managers and the IEG consider that safeguards skills should be part of the core competency of all environmental specialists in the Bank. Regional sector managers consider that environment specialists

⁹³ Selvam et al. 1999; Green K. and Raphael A., 2001; LCR, 2009.

should have broad expertise in a number of areas including environmental safeguards, biodiversity conservation, and pollution control. They also consider that environmental specialists should be able to perform different responsibilities including safeguards operational support, environmental mainstreaming, analytic work, and project management. This view is shared by the IEG, which sees a chasm in the separation of safeguards work from the remaining work on environmental sustainability:⁹⁴

“The increasing disconnect between the Bank’s work on safeguards and the parallel work on environmental sustainability—manifested through the separation of staff working on compliance with safeguard policies from those working on environmental sustainability—had a debilitating effect on safeguards performance. IEG had recommended doing away with this false dichotomy so that environmental work could integrate attention to safeguard policies within the work on sustainability.”

Most interviewees, including sectoral sector managers (different from regional environment managers) and specialists, agreed with proposals to create an incentive structure for Bank staff with environmental backgrounds to pursue safeguards-related work. Those staff members who specialize in environmental safeguards work might be remapped formally as “environmental safeguards specialists”. Furthermore, several interviewees, including regional safeguard advisors, suggested mirroring the organizational structure of Procurement or Financial Management with specialists devoted exclusively to provide safeguards support to projects. They argued that this career track would allow environmental staff to pursue a professional career specifically in safeguards within the Bank, while also allowing environmental specialists who spend the majority of their time providing safeguards support in the regional environmental units to advance professionally.

⁹⁴ Huppi. 2011:2

Box 12: What is a Safeguards Specialist?

The specialists who engage in safeguards-related activities are colloquially known within the bank as “safeguards specialists”. However, this is not a formal job mapping within the Bank. By and large, these are environment specialists within the regional environment units. Safeguards specialists tend to possess training and expertise in environmental impact assessment that is not shared by non-safeguards environment staff.

Providing support to task team leaders and implementing agencies on meeting safeguards requirements is often the focus of “environmental safeguards specialists.” Safeguards specialists are parts of units that carry out direct operational work, which includes the appraisal, supervision, and monitoring of investment projects. Such safeguards support consists of categorizing projects, developing terms of reference (ToRs) for Environmental Assessments, Environmental Management Plans, or Integrated Pest Management Plans, and assisting implementing agencies in supervising the preparation of the assessments and the implementation of environmental management plans.

In the context of regional units, the duties of staff in environment units are grouped into three categories: (1) providing safeguards operational support for task teams; (2) acting as reviewers in order to assist in safeguards quality assurance and compliance review; and (3) managing environment-related operations including analytical work, carbon financing, GEF operations, and lending.

These duties are not equally divided among environment staff. As of October 2009, there were 229 regular/term staff mapped to environment (Business Warehouse 2010). Approximately 3150 staff weeks (SWs) of environment staff were devoted to safeguards-related activities (Table 3). In practice, staff who work in safeguards tend to be specialized in the area and to devote almost their entire work program to safeguards-related activities.

Table 3: Distribution of Safeguards Specialists

Region	No. of Category A, B, and FI Projects	No. of Staff Weeks of Safeguards Specialists
Africa	602	756
East Asia Pacific	319	756
Europe and Central Asia	300	504
Latin America and Caribbean	323	294
Middle East and North Africa	140	252
South Asia	277	588
Bank	1,961	3150

Source: Regional Environment Sector Managers and Regional Safeguards Advisors. 2010

Because the demand for safeguards operational support is relatively high, and is increasing as infrastructure lending grows, most staff members who are capable of and willing to provide any safeguards operational support can easily find their work program eventually dominated by safeguards-related work. Thus, a sharp distinction has formed within the Bank’s environmental specialists between the two thirds who do not carry out safeguards work, instead working entirely on environmental operations (climate change, carbon financing, analytical work, and lending), and the third who are able to work on environment operations, but tend to spend the majority of their time working on safeguards. It is the latter group who will be referred to as “safeguards specialist” within this report, and the former group as “non-safeguards environmental specialists,” even though these terms have no formal meaning within the Bank’s HR and organizational structures.

3.3.3 Realignment of Incentives in the Context of Overall Performance Evaluations

Another option for increasing the incentives for high-quality safeguards work revolves around the staffs’ Overall Performance Evaluations (OPEs). The approach recommended here involves including safeguards-related components in the protocols for performance evaluations of TTLs, sector managers, and environmental safeguards specialists. This can easily be done by requiring the list of feedback providers for a staff member’s OPE to include Bank colleagues who are in a position to gauge the quality of safeguards related work for the staff member being evaluated.

Task team leaders play a particularly important role in safeguards implementation and their performance in this regard can be evaluated by expanding the list of staff participating in their annual OPEs. Given the role of TTLs in the implementation of safeguards, they might be required to request feedback on their safeguards performance from the environmental specialists they worked with on safeguards as well as the environmental sector managers for their regions.

Similarly, sector managers also have an important role to play in safeguards implementation, particularly for Category B projects. Consequently, performance reviews for sector managers (apart from the environmental sector managers) can include environmental sector managers on the list of feedback providers. In addition, the performance of sector managers should be measured in terms of their unit's compliance with safeguards policies.

Furthermore, the OPE *peer comparisons* made in evaluation of environmental safeguards specialists may be changed. When specialists who engage primarily in safeguards operational support are compared to specialists who primarily prepare environment operations, the former may be viewed less favorably than the latter. Instead of comparing safeguards specialists with environmental specialists engaged in non-safeguards work, safeguards specialists should only be compared with other safeguards specialists.

The changes recommended above will heighten the importance of safeguards work in annual performance reviews by appraising staff members with responsibility and authority for safeguards work in terms of effectiveness in providing operational support on the safeguards policies, from project preparation through supervision and monitoring. The inclusion of safeguards-related criteria and feedback providers in OPEs will: (1) provide staff with feedback on their performance in supporting safeguards implementation; (2) influence personnel decisions, such as salary raises and promotions; and (3) help individual regions identify their training and staff development needs.

3.3.4 Regional Environmental Safeguards Business Plans and Safeguards Indicators in ISRs and ICRs

Regional Environmental Safeguards Business Plans might be developed each year to provide roadmaps for helping environmental safeguards specialists, TTLs, and sector managers meet safeguards targets. Regional environmental units—which are aware of their region's staffing and training needs—can develop these plans in coordination with the Environmental Anchor. These business plans can include a number of important elements:

- Allocation of safeguards specialists to projects based on their specialized expertise.
- Allocation of nodal point responsibilities for environmental assessment, pest management, and natural habitat safeguards.
- Development of indicators measuring safeguards compliance to be used in annual performance reviews.
- Time allocations for environmental safeguards specialists in all stages of the project cycle, from preparation through supervision and monitoring.
- Assessment of needs for technical expertise based on the portfolio of projects within a region (e.g., types of projects implemented and safeguards policy typically triggered).
- Plans (and budget allocations) for hiring new staff and training existing staff based on the aforementioned needs assessment.
- Creation of indicators to effectively measure safeguards implementation, particularly indicators pertaining to supervision.
- Timeline for the development of thematic reviews and analytic work aimed at improving safeguards.
- Development of regional safeguards websites.

- Preparation of best practice notes and other information for posting on the regional safeguards websites.

To increase incentives for high quality safeguards work, new safeguards-related information can be incorporated into Implementation Supervision Reports and Implementation Completion Reports so that safeguards can be monitored more effectively and accounted for in the OPEs.

Implementation Supervision Reports (ISRs), which report progress on the monitoring and supervision of a project, should include indicators describing whether TTLs, sector managers, and safeguards specialists have met the proposed safeguards targets in the safeguards business plans. Implementation Completion Reports (ICRs), which are developed at the end of a project, should also include a clear indicator of what was accomplished in regional environmental safeguards business plans, highlighting the enhancement of positive effects. Currently, ICRs do not contain any provisions for reporting on environmental and social performance.

These additional safeguards indicators in various project documents would allow TTLs and sector managers to compare proposed targets to actual targets to see whether they were met in their respective projects and to determine ways to better meet goals. Moreover, OPEs could then be influenced by the ability of TTLs, sector managers, and environmental safeguards specialists to meet the goals set out in the regional safeguards business plans.

3.4 Options for Resolving Organizational Challenges in order to Enhance Safeguards Implementation

This section analyzes the institutional environment the Bank has developed to implement the safeguard policies. It describes how the current organizational structure influences various aspects of safeguards work, including screening, compliance review, and quality control; support and training; and supervision. Through this examination, it identifies options for resolving organizational challenges in order to enhance safeguards implementation.

3.4.1 Safeguards Screening, Compliance Review, and Quality Control

One of the primary improvements in the safeguards system in the last decade has been an increase in the quality and independence of oversight. The 2001 Environment Strategy resulted in an increased budget for safeguards-related activities, which came to be conducted under the ambit of the Quality Assurance and Compliance Unit (QACU). After 2002, QACU and the regional safeguard advisors (RSAs) were allocated off-the-top, albeit limited, resources for improving quality control and compliance review (QC&CR) and for staff training purposes. QACU has strengthened its role by providing training on safeguards, assisting vice-presidencies in preparing management responses to Inspection Panel investigations, conducting analytic work related to safeguards, leading the dialogue on country systems, implementing pilots on the use of country systems, and leading safeguards policy design (i.e., OP 4.00 Country Systems). LEGEN has had a central role in analyzing, interpreting, and supporting safeguard compliance measures, though with almost no funding to do so.

The 2010 IEG evaluation on safeguards found that the Bank has underscored the need to focus on safeguards compliance. The transfer of QACU to Operations Policies and Country Services (OPCS) in 2006 has led to greater attention to safeguards: there is evidence of more emphasis on screening projects at entry (especially with greater attention to Category A projects), and more emphasis on procedural requirements during appraisal, with individual projects having clearer guidance on procedures and more

mandatory requirements.⁹⁵ According to the IEG, the aggregate quality of due diligence during project preparation and appraisal, which includes environmental and social due diligence, was found to be 80 percent satisfactory.⁹⁶

The RSAs and QACU have strong incentives for promoting rigorous compliance review. They are independent of the management structure surrounding project design and approval. They are rewarded for identifying and directing attention to potentially risky projects and designs.

The quality of safeguards documents, particularly for category A projects, was rated highly in the IEG 2010 evaluation, based on both the IEG's portfolio review and its consultations with Bank staff. However, there are potential conflicts of interests involved in having the reviewers for environmental assessments come from the same pool of staff as those involved in preparing those assessments.

One approach to eliminating this potential conflict of interest is for the Regional Safeguards Advisors to draw their reviewers from outside their regions. This also has the potential benefits in terms of sharing knowledge and diffusing best practices across regions. However, this proposed solution may have a potential disadvantage: reviewers from other regions will often be unaware of the regional and country-specific context within which the environmental assessments are being conducted. Under the circumstances, diversifying the pool of reviewers by bringing external independent specialists could take place on a pilot basis. In particular, recourse to a pool of local specialists who could be trained and contracted on a retainer basis could bring better cost-efficiency, especially at the supervision stage.

3.4.2 Safeguards Specialists' Support and Training

Environmental Safeguards specialists often carry out two types of functions: (1) implementing safeguards policies by, for example, overseeing the preparation of Environmental Assessments; and (2) checking on the adequacy of that implementation by, for example, advising RSAs on whether environmental assessment documentation is consistent with Bank policies. During the interviews conducted for this analytic work, respondents also mentioned this distinction by noting that safeguards implementation activities on projects are conducted by safeguards specialists, but safeguards specialists are also asked to assess the quality of these implementation activities, which may result in a conflict of interest.

Bank staff members interviewed in the course of this analytic work expressed their views on ways to enhance the skills of safeguards specialists. For example, some respondents stated that training should allow for the development of in-depth technical expertise and be more sensitive to regional needs.

While environment units have responsibility for carrying out safeguards functions, they do not have an independent budget allocation for safeguards support work, and this makes it challenging for them to allocate money for environmental safeguards specialists development, training, country systems dialogue, or analytic work. An issue arises when the specialists of environmental units in the regions do not have their specific needs reflected in the design of safeguard training programs. All of their funds to support safeguards-related work come through the budgets for various projects, and each budget can only be used to provide support on that particular project. This has led to a systemic lack of investment, by the Environmental Anchor and regional environment units, in training, coordination of activities, career-development support for safeguards specialists, policy dialogue on safeguards and country systems, harmonization of policies with other donors, and other actions to support safeguards specialists. Despite the primary role in safeguards management and coordination assigned to regional environment units, there is no source of funds within these units for these activities.

⁹⁵ IEG, 2010

⁹⁶ IEG, 2010, p. 18-19.

The budget for training, dialogue on country systems, retreats, clinics, policy notes, analysis of good practices, and all other possible methods for conserving and passing on safeguards-related knowledge is assigned to the Regional Safeguards Advisors and the QACU. LEGEN does not receive any separate budget for its training support. As a result, training and other staff support activities are not integrated into the strategic plans of the environment units within the regions.

The issue can be further explored by examining the incentives faced by different units. If safeguards compliance is weak, then the safeguards specialists within environmental units and the TTLs responsible for projects are generally held accountable. However, the managers of environment units, whose staffs are accountable for safeguards performance, have no available resources for activities to improve the performance of environmental safeguards specialists.

The top-level staffs within the Bank's regional environment units are well-positioned to assess their needs for staff strengthening. Given additional resources, environmental units could play a key role in the design of staff hiring and training programs.⁹⁷ QACU and the RSAs are well-positioned to conduct QC&CR for safeguards as their primary mission. There is no independent funding for LEGEN to do the same.

A clear separation between safeguards implementation and safeguards-related QC&CR activities has the potential to resolve conflict of interests and to enhance the quality of safeguards work. This is already a practice in some regions (e.g., MENA) where safeguards specialists involved as team members cannot serve as reviewers for the same project; however, this practice increases the need for a sizable pool of safeguards specialists.

3.4.3 Safeguards Supervision

There exist strong incentives for high-quality performance during the project appraisal stage. The QC&CR responsibilities and authorities of the RSAs and QACU end with project approval. From that point onwards, ensuring safeguards compliance is the responsibility of project TTLs and their sector managers.

Several evaluations⁹⁸ have noted that in comparison to safeguards performance during project appraisal, safeguards supervision was in need of improvement. The IEG attributed this finding to the delegation of monitoring responsibilities to sectoral units, which do not have incentives to supervise safeguards diligently, especially given the budget pressures faced by TTLs on projects. The IEG recommended strengthening QC&CR for safeguards supervision responsibilities.⁹⁹ This means extending QACU and the RSAs' monitoring responsibilities into the project implementation phase. This would require some augmentation of staff and budget capacity under the direct responsibility of QACU and/or RSAs, depending on the risk level of the operations considered. Under the proposed configuration, QACU and the RSA would continue to center their work primarily on quality control and compliance review, including responsibilities for environmental auditing.

According to the IEG evaluation, the Bank has given priority to safeguards support for the preparation of high risk projects. However, the record of supervising safeguards implementation is far from optimal. The IEG evaluation highest rating in supervision for a region is 83% and the lowest is 43%.¹⁰⁰ Clearly a goal of zero tolerance with non-compliance will not be feasible to achieve in the short or medium term, particularly if the mechanisms for controlling and monitoring safeguards compliance are not in place or are incomplete.

⁹⁷ World Bank, 2003; LCR, 2009

⁹⁸ Goodland and Mercier, 1999 Green and Raphael, 2001, World Bank-LCR, 2006; Park, 2007; IEG 2010; Selvam et al., 1999.

⁹⁹ IEG 2010.

¹⁰⁰ IEG, 2010.

As presented by DECEE: “when nobody protests or objects against a particular project, one may easily take it as a sign that the safeguards are being met. But this is of course far from obvious.”¹⁰¹

Given the current self-imposed Bank budget constraints, most of the recommendations outlined above are not implementable. Under these constraints, alternative options for strengthening environmental safeguards implementation must entail, in the short term, sharing with the clients a large percentage of the costs of preparation and supervision of safeguards compliance, as well as a significant reform of the safeguards policy framework to build on borrower capacities.

In the medium term, the Safeguard Policy framework must evolve from a process-oriented, command-and-control, do-no-harm approach to a sustainable approach--based on economic instruments--that reflects a more risk-based and differentiated view based on client capacities.

In the short term, alternative methods for strengthening safeguards implementation during project preparation and supervision could include three different approaches: (1) outsourcing to specialized safeguards support companies; (2) institutionalizing environmental auditing; and (3) giving priority to developing either project components within sectoral projects or stand-alone environmental projects aimed at strengthening client environmental regulatory frameworks.

One strategy that has been used by multinational companies and international financial organizations to provide the skills mix needed in particular regions is to rely on outsourcing to third parties the support for the preparation and supervision of projects, relying particularly on specialized international consulting firms. Opting for greater outsourcing of safeguards support in highly specialized areas would provide the necessary flexibility required by the need to dynamically adjust the skill mix as the composition of the Bank’s portfolio varies over time. Specialized consultant companies with expertise in environmental engineering and science, occupational health and safety certified ISO 14000 could be contracted on a retainer basis by client countries to help prepare and supervise projects. The costs would be charged to the project preparation facility or the loans being prepared or supervised.

Following Bank practices on financial management, which require financial statements to be audited by specialized firms on an annual basis, the Bank could request annual reports on safeguards compliance audited by specialized firms. Such audits would provide independent mechanisms to assess Bank-supported projects’ compliance with the national legislation of each client country, as well as with the World Bank Group General EHS Guidelines.

The environmental safeguard capacity of some of the Bank’s clients needs substantial strengthening. This has so far been addressed through the capacity building components in selected infrastructure projects. The Bank could provide targeted support, through technical assistance projects, as well as with policy-based loans, to create or strengthen environmental regulatory capacities at the national level, as well as to address the environmental priorities of key sectors, such as energy, transportation, and water resource management, among others.

3.4.4 Upstream Dialogue on the Use of Client Environmental Country Systems

Many Bank staff believe that the use of country systems -- that is, shifting the applicable safeguard systems from the Bank’s toward the country’s legal and institutional framework, consisting of its national, sub-national, or sectoral implementing institutions and applicable laws, regulations, rules, and procedures -- has significant potential to improve development impact. World Bank pilot operations on use of country

¹⁰¹ Strand and Toman., 2010: 1.

systems began in 2005 and have been governed by Operational Policy/Bank Procedure 4.00 (Piloting the Use of Borrower Systems to Address Environmental and Social Safeguards Issues in Bank-Supported Projects). Because the Use of Country Systems policy is discussed in more detail in another 2010 Environment Strategy background paper, it will not be elaborated on here.

The Environmental Anchor and regional environmental units are well positioned to be involved in upstream policy dialogue functions because they have no stake in monitoring or implementing safeguard policies. Additionally, the Environmental Anchor is the primary repository within the Bank of knowledge regarding international best practices on environmental management. A proposal for reinstating “a work program in the anchor for environmental safeguards with emphasis on learning and skills development, fundraising for upstream work and client capacity development, and follow-up to the IEG evaluation” was developed from the Environment Strategy Background Paper on “Lessons from Environmental Mainstreaming: Towards Environmental Sustainability.”¹⁰²

The Environment Anchor may also be considered for the lead unit for other safeguards-related tasks that require a neutral arbiter. These include taking a lead role in coordination with environment units in the regions, for organizing safeguards-related training programs and tracking the costs and benefits of safeguards work.

A different view is held by QACU. According to Lintner:

“From an institutional standpoint, OPCS is the focal point in the Bank for the development of all Bank Operational Policies including Safeguards, one of which is OP 4.00, which currently governs the use of Borrower systems (or Use of Country Systems [UCS]) for environmental and social safeguards. OPCS also has the lead responsibility within the Bank for implementing the Bank’s commitments under the Paris Declaration and Accra Agenda for Action, both of which commit the Bank to optimize UCS for environmental and social safeguards as well as financial management and procurement. Accordingly, [for QACU] there is no justification for reassigning responsibility for the Bank’s UCS program and dialogue to SDN.”¹⁰³

3.5 Solidifying the Bank’s Parallel and Complementary Systems for Safeguards Support and Compliance

The recommendations above would create two parallel organizational structures for ensuring safeguards compliance. One structure – comprising the regional environment units and the Environment Anchor – would be responsible for implementing the safeguards system. The other structure – comprising the Regional Safeguards Advisors and the Quality Assurance and Compliance Unit – would be responsible for ensuring compliance with the safeguards system. LEGEN support would be provided as appropriate. Several specialists from QACU and the RSAs advocate a unified approach to safeguards both on the implementation and compliance side that would ensure cost savings.

In the short term, the Bank can give priority to creating an environmental safeguards work program in the Environment Anchor, with emphasis on learning, training, skills development, fund raising for upstream work and client capacity development, and follow-up on results of the 2010 IEG safeguards and sustainability evaluation (as recommended in the Environment Strategy Background Paper on “Lessons from Environmental Mainstreaming: Towards Environmental Sustainability”).¹⁰⁴ This could be accompanied by increasing the role of regional environmental units and recentralizing accountability for the quality of safeguards work. Increased management oversight would help not only in enhancing the quality of safeguards work, but in identifying opportunities for more structured and upstream engagement on capacity building with client countries. On a related point, regional environmental units could more

¹⁰² Tlaiye and Awe, 2010

¹⁰³ Lintner 2011: 3.

¹⁰⁴ Tlaiye and Awe, 2010

explicitly plan safeguards-related capacity building efforts on the basis of clearly expressed demands from clients. The regional environment units could also join the Environment Anchor in fund-raising to develop a work program on client capacity development.

3.6 Conclusion

Interviews conducted during the course of this analytic work reveal that safeguards work at the Bank is neither recognized as essential at the Bank nor heralded as an attractive career choice. There is evidence that environmental safeguards specialists are inadequate in number and, to a certain extent, do not have adequate expertise in specialized areas needed for effective safeguards implementation.

There are a number of actions that could be taken to broaden the mix of skills that Bank environmental safeguards specialists bring to the task of safeguards implementation. Many of these strategies involve the provision of in-depth training to existing environmental safeguards specialists; others are based on loans of environmental safeguards specialists across regions as well as targeted use of external consultants, either when their area of expertise is not frequently used, or where local specialists can provide cost-effective temporary services such as supervision work. As a result of variations in the staffing and skill mix across regions, each region is well positioned to design their own staff hiring and training program, and those designs should be elements of the business plans developed by the environmental units in each region. These business plans should include a number of elements, such as the allocation of safeguards specialists to projects based on their specialized expertise, and plans and budget allocations for hiring new environmental safeguards specialists and training existing staff.

Within the QACU and RSAs, career advancements for staff working full time in safeguards exist. QACU, which is headed by a senior advisor, is the nodal unit within the Bank for safeguards and includes staff who are primarily engaged in safeguards-related work. In the IFC, career advancements are available for those engaged primarily in safeguards work. Multilateral development banks, such as the ADB, have formal job mapping configuration for staff who work primarily on safeguards. Strengthening the safeguards career track can enhance the recognition of the specialized work done by staff engaged in safeguards-related work. The proposed strengthened configuration, which includes a robust range of positions at different responsibility and status levels, could make specializing in safeguards a more attractive career option within the Bank. It could also encourage experienced environmental specialists, who currently avoid safeguards work because it does not provide opportunities for career advancement, to engage in safeguards work.

Incentives to engage in high quality safeguards work should be enhanced by including safeguards-related components into the protocols for performance evaluations of TTLs, sector managers, and environmental safeguards specialists. In addition, the peer comparisons used to evaluate environmental safeguards specialists should be changed. Instead of comparing safeguards specialists with TTLs, safeguards specialists should only be compared (for purposes of evaluating their safeguards-related work) with other safeguards specialists in their regions. The inclusion of safeguards-related criteria and peer evaluators in performance reviews will: (1) provide staff with feedback on their performance in supporting safeguards implementation; (2) influence personnel decisions, such as salary raises and promotions; and (3) help individual regions identify their training and staff development needs.

The proposed organizational arrangements will help enhance the roles of key units within the Bank involved in aspects of safeguards work. The top-level staffs within the Bank's regional environment units are well positioned to assess their needs for staff strengthening. Given additional resources, regional environmental units could play a key role in the design of staff hiring and training programs.

The Environment Anchor could perform a coordination function by taking on leading stakeholder consultations on global review of sustainability and safeguards, carrying out safeguards-related analytic work, engaging in upstream safeguards policy dialogues, organizing safeguards training activities for the Bank, and tracking the costs and benefits of safeguards work.

In parallel, QACU and the RSAs would continue to perform high quality QC&CR activities related to safeguards, not just during project preparation, but during supervision. QACU and the RSAs are well positioned to extend their monitoring responsibilities into the project implementation phase. This would require some augmentation of staff and budget capacity. Under the proposed configuration, QACU and the RSAs would continue to center their work primarily on quality control and compliance review, including responsibilities for environmental auditing. LEGEN would provide support as appropriate, given available resources, under all possible scenarios.

4. Training and Certification

4.1 Introduction

In interviews conducted during the course of this analytic work, safeguards specialists indicated that: (1) the Bank's general policy of hiring young "generalists" as safeguards specialists makes it difficult to address client priorities, especially at a time when increasing technical sophistication is required; (2) the current safeguards training program tends to be introductory and process-based, with little emphasis on the technical expertise demanded by safeguards work; and (3) knowledge of safeguards-related issues is very uneven amongst both Bank staff and clients.

This chapter responds to concerns about the availability of properly trained World Bank staff by outlining a number of options for expanding the Bank's current safeguards-related training activities into a training program that will help to remedy the shortfalls in training and skills mix of the regions' safeguards teams. In addition, the chapter includes recommendations for giving safeguards training to all Bank staff, so that environmental safeguards work can become a more integral part of the Bank's culture. Some regions (e.g., ECA, EAP, and SAR) have established ad-hoc training programs for TTLs, which could provide the basis for the development of more systematic training efforts across the Bank.

4.2 The Current Safeguards Training Regime

QACU offers a number of courses on the various safeguards policies. Generally, these take the form of 4-6 hour seminars at headquarters in Washington, D.C. Trainings require prior registration, but are open to all who wish to attend, including Bank consultants. These trainings are not mandatory, and their location generally puts them out of the reach of country office staff. The Vicepresidency of Operational Policies and Country Services (OPCS) is developing e-learning modules on safeguards, with the third module expected to be completed at the end of fiscal 2011. According to QACU:

In December 2010, two E-learning modules on Safeguards became available for all staff; a third module tailored to the needs of TTLs is under preparation and will be available before the end [of the 2011] fiscal year. In anticipation of the roll out of the E-modules, the focus of the face-to-face training has shifted from presenting the provisions of individual policies to their application, with hands on training exercises and case studies becoming the core of the sessions. The current training program also serves as a forum for exchange of knowledge and experience among staff and is highly valued for this purpose, something that online tutorials cannot provide...environmental and social specialists need sufficient training in Safeguard Policies to recognize when an environmental or social issue has Safeguard implications and requires an elevated level of attention. This is precisely the kind of training that is now provided by QACU and LEGEN in coordination with SDN. It is not designed to provide environmental and social specialists with detailed technical solutions to specific questions or problems, nor should such training be undertaken by environmental or social specialists who are not themselves thoroughly "experienced" in the application of the Safeguard Policies...[Furthermore] QACU has already begun piloting in the past year new training sessions in topics that reflect the Bank's shifting lending program (e.g., guidance to staff on joint Bank-IFC projects; expanded use of EHSGs and improving incorporation of community health and safety issues in EA).¹⁰⁵

A program to increase the efficiency and effectiveness of safeguards support at the Bank could include basic safeguards training that would be required for *all* non-administrative Bank staff.¹⁰⁶

The QACU seminars are effective in imparting a basic knowledge of the requirements of the safeguards policies and the procedural issues involved in providing safeguards support. However, their location and

¹⁰⁵ Lintner, 2011: 5.

¹⁰⁶ According to QACU, "the Safeguard training program provides solid basic knowledge of the Bank's Safeguard policies and all non-administrative staff would benefit from it if it became mandatory. In the last couple of years, the program has been enriched by more specialized sessions, e.g., Preparing and Implementing IPPs, Environmental and Social Guidelines for IFC/Bank Jointly Financed Projects, Reviewing EAs and other courses geared towards developing and improving staff skills. Work on more sessions reflecting changes in lending program is ongoing." Lintner, 2011: 5.

their optional, introductory nature make them more of an informational tool than a lever by which to increase safeguards compliance. According to interviews conducted during the course of this analytic work, there is a general desire amongst Bank staff, and particularly environment staff, for greater breadth and depth in the training program.

A number of staff interviewed during the course of this analytic work noted that the Bank's safeguards training program would be more effective if it were to bring in more experts from outside the Bank, and if the program were to be linked to a formal certification. Other interviewees added that training should allow for the development of greater technical expertise, rather than reflect the prevailing process-based nature of the Bank's safeguards policies. One respondent suggested that it should be more sensitive to regional needs. If a specific policy is more often triggered in one Bank region, then it would be more efficient for training in that region to focus on that particular policy.

A number of respondents suggested that the mentoring of younger staff would be an effective element of training. The Africa Region, other respondents added, has introduced a program whereby younger staff spend a few months working with, and being mentored by, more senior colleagues. A variant of this model would include sending a small group of Bank staff to academic or other institutions for a number of weeks, so that they could get acquainted with international best practices.

However, since there is no safeguards budget allocated to the regional environment units or to the RSAs to fill this need, there is currently no way to fund these training activities, despite the value they would add to the core mission of increasing safeguards compliance.

4.3 Characteristics of an Expanded Training Program

In order to effectively spread knowledge of environmental management techniques and increase the efficiency and effectiveness of safeguards support at the Bank, any expansion of safeguards-related training should have the following characteristics: (1) a basic level of safeguards training should be required for *all* non-administrative Bank staff members;¹⁰⁷ (2) there should be more advanced levels of training to meet the needs of particular categories of staff such as TTLs, sector managers, environment specialists, consultants, and clients; (3) training should be easily accessible and inexpensively delivered; (4) training activities should be designed and implemented by Bank staff and consultants with extensive experience in implementing the safeguards policies; and (5) training for safeguards specialists in particular should move beyond the rudiments of procedural compliance and toward a more in-depth training that provides knowledge of relevant scientific and technical matters as well as good practice.

As noted in both the interviews conducted for this analytic work as well as several safeguards evaluations, the supply of safeguards specialists is highly uncertain. The task of safeguards support is sometimes left to consultants or junior staff without appropriate experience. Mistakes are more likely to be caught if all staff members are familiar with safeguards requirements. There are also advantages to extending training beyond the full-time Bank staff to include also implementing agencies and Bank consultants who work on safeguards.

A common hurdle in obtaining training for environmental safeguards specialists in country offices is that the trainings are held at Bank headquarters. Significant resource expenditures must be made to bring staff from country offices to headquarters (or even to regional hubs) for safeguards training, and as a consequence, many staff members are not able to take advantage of training. To mitigate this transport problem, online tutorials could easily be created to meet training needs, at least at the most basic levels of training. As explained above, OPCS is already developing e-learning modules on safeguards, with the third

¹⁰⁷ In this context, administrative Bank staff are those with grades: GA, GB, GC and GD.

module expected to be completed at the end of fiscal 2011. By creating such digital resources, the Bank could make certain forms of safeguards training universally available at relatively low cost. Indeed, these trainings would also be available to clients and Bank consultants who engage in safeguards-related work. Of course, more in-depth training cannot be provided by online tutorials, and methods for providing in-depth training are detailed later in this chapter.

Online trainings in safeguards can be linked to formal methods of assessing knowledge acquisition, such as tests or quizzes built into the tutorial experience. Recognition of completing a particular online training can be given in the form of an “accreditation.” There are clear precedents for the use of accreditation for completion of basic coursework in the Bank's General Services Department Corporate Procurement Unit (GSDPR). The Education Program in procurement includes a formal Accreditation Program. GSDPR has staff designated as “Learning Officers,” who design staff Accreditation Programs and distance learning curricula to build capacity in the Bank’s country offices and amongst headquarters personnel in support of the varied procurement functions that they perform. Similar activities could be carried out in the context of environmental safeguards.¹⁰⁸

Both the consultations conducted during the course of this analytic work and the 2010 IEG evaluation on safeguards emphasized the need for more highly trained safeguards specialists. However, such training cannot be provided by online tutorials alone. For the existing safeguards specialists who have a generalist background, tailor-made programs of in-depth technical training that last from several weeks to several months can be designed. Designs must be based on the identification of subject areas in which additional technical expertise is needed, particularly when this expertise is not present anywhere within the Bank or within a region’s country environmental management framework. As previously mentioned, the identification of these needs should be carried out by the regions and should be part of the training and hiring components of regional Environmental Safeguards Business Plans.

In addition, at the request of the proposed Lead Regional Safeguards Specialist in a particular region, safeguards specialists could be asked to take supplementary online modules that would introduce them to the rudiments of particular fields, such as occupational health and safety, biodiversity, risk assessment, risk management, and noise pollution. The Lead Environmental Safeguards Specialist for each region can monitor the needs of the portfolio and identify training needs; part of these training needs can be met by requiring safeguards specialists working within the region to take one or more of these additional online courses. However, short courses offered in the form of modules will not be able to provide the in-depth training needed to properly expand the skills mix available for safeguards support.

4.4 Expanding the Scope of Safeguards Training

In December 2010, two e-learning modules on Safeguards became available for all staff; a third module tailored to the needs of TTLs is under preparation and will be available before the end of fiscal 2011. Building on this experience, this section proposes expanding the scope of safeguards-related training through the use of a number of online course modules. At the most basic level, there would be a course that must be completed and passed (via on-line testing) by all Bank non-administrative staff as well as all project management cells at implementing agencies and all contractors engaged in carrying out environmental assessments (EAs) for the Bank. In addition, there would be a number of online supplementary course modules, each of which would be mandatory for the indicated staff positions. These would include supplementary courses for: (1) TTLs and Sector Managers, focusing on their responsibilities as the staff members ultimately tasked with ensuring safeguards compliance; (2) staff in project

¹⁰⁸ For details on the Learning Officer position in procurement, see: <http://extjobs.worldbank.org/external/default/main?pagePK=64273552&piPK=64273556&theSitePK=1058433&JobNo=100037&order=ascending&sortBy=descr100&location=WAS&menuPK=64262364> , which contains a position description for Learning Officer (Procurement).

management cells at implementing agencies, detailing their responsibilities during supervision; (3) environment specialists engaged in safeguards work (and safeguards specialists in the new line of positions described in Chapter 2) as well as contractors hired to do work equivalent to that of safeguards specialists; and, (4) consultants hired by implementing agencies to conduct Environmental Assessments and prepare Environmental Management Plans.

4.4.1 Basic Environmental Safeguards Knowledge for All Non-Administrative Bank Staff

All non-administrative Bank staff, regardless of their involvement in safeguards-related work, should be aware of safeguards requirements. As mentioned above, a basic awareness of safeguards is essential for a number of reasons. Oftentimes, a number of specialists are involved in planning and design of projects long before any safeguards specialist joins the task team. If all specialists at the Bank have some notion of how to incorporate safeguard considerations into Bank projects, there will be a reduced chance of risky elements going unnoticed.

This basic-level course will be focused not just on describing the policies, but on giving guidance for how Bank staff members should view their own responsibilities vis-à-vis safeguards policies. For instance, the course might describe how staff members who identify impacts that have not been mitigated or who have other concerns with the environmental aspects of a project could follow up on these concerns. The course could also include case studies containing examples of common issues of concern, good environmental practices, and risky scenarios that Bank staff could avert.

4.4.2 Guidelines and Best Practices for TTLs and Sector Managers

Sector managers and task team leaders have additional responsibilities with regards to environmental safeguards, particularly for Category A, B, and FI projects. These staff members are the ones who are held responsible for deficiencies in environmental performance in their projects. Due to budget constraints, TTLs are often the sole staff members tasked with supervising the implementation of projects. They also make the initial proposal for the categorization of their projects. Sector managers have special responsibilities for Category B projects.

Sector managers and task team leaders will have already taken the basic course described above, but they should also be required to pass an additional online tutorial that is specifically tailored to their responsibilities. This course could cover good practice guides, teach them how to assess and manage various forms of risk, and provide advice on composing and working with an interdisciplinary safeguards support team. The end result of this course would be an accreditation that recognizes that these TTLs and sector managers have at least the minimum training needed to carry out their safeguards responsibilities.

4.4.3 Training Clients and their Environmental Consultants

For high risk projects, Environmental Assessments often identify capacity gaps and, in such cases, projects build in some ability to close those gaps. However, the project management units (PMUs) for relatively low-risk category B projects, many of which do not contain environmental capacity building components, would benefit from being familiar with the requirements of the Bank's safeguards policies, so that they are at least able to identify potential risks and bring them to the attention of the Bank. The directors of PMUs for all Category A, B, and FI projects could be required to pass an online module on the Bank's safeguards framework and the responsibilities of implementing agencies within that framework. In addition, the environmental consultants hired by PMUs to prepare Environmental Assessments and Environmental Management Plans should also be required to pass this same online module.

4.4.4 Environment Specialists and Consultants Supplementing Environmental Safeguards Specialists

Environment specialists who may devote all or some of their time to safeguards should have training beyond the basics so that they can carry out their responsibilities appropriately. The same applies to consultants that the Bank engages to carry out tasks equivalent to those undertaken by safeguards specialists.

Safeguards specialists have numerous responsibilities. They are typically called upon by the RSA to recommend the categorization of a project, and this may or may not be the same as the categorization proposed by the TTL. In addition, safeguards specialists can also be asked to comment on the extent to which the Environmental Assessments and Environmental Management Plans prepared by the client or the client's consultants satisfy the requirements of the Bank. Their training course should therefore include guidance on the proper format for the environmental documents, a list of questions that those documents should answer, and an in-depth description of the Bank's Environmental Health and Safety Guidelines. Ensuring that consultants are familiar with the proper format for environmental assessment documents before beginning work will likely lead to fewer gaps in Environmental Assessments and Environmental Management Plans. This online module would also provide the basics needed to implement a program of systematic quality control on the environmental safeguards work of the client or the client's consultants.

In comparison to the emphasis on the Environmental Assessment in the basic course to be taken by all non-administrative Bank staff, the online module for safeguards specialists would be expanded to cover details in basic subjects related to the safeguards policies on Forests, Natural Habitats and Pest Management. Box 13 below contains a sample of a possible test for safeguards accreditation on the Natural Habitats Policy (OP/BP 4.04).

For QACU, the "limited availability of a structured face-to-face training program for field staff is a significant issue that should be put high on the list of priorities for improving understanding of the Bank's Safeguards. Training on Safeguards also should be considered as a part of the currently ongoing process of update/revision of the Bank's Safeguard policies and reflect changes in the approach to improve Bank's performance in the Safeguards."¹⁰⁹ In addition, QACU has proposed the following three-step training program for staff to work as safeguards specialists:

- Step 1: Completing mandatory E-learning modules on Safeguards.
- Step 2: Completing a full cycle of face-to-face training.
- Step 3 (which could begin simultaneously with step 2): Participating in a mentoring program with an experienced safeguards specialist, which would include participation in missions and field trips.

4.5 In-Depth Training to Enhance the Skills Mix of the Safeguards Support Staff

A roadmap identifying needs for in-depth training to expand the skills mix within regions should be included in the Environmental Safeguards Business Plans. These assessments will describe current needs for staff strengthening and the sources of funds to send safeguards specialists to relevant courses, where they can gain internationally-recognized training in the applicable areas. Environmental Safeguards Business Plans will also contain proposals for other staff development activities, such as websites, retreats, exchange notes, and analytic work on best practices.

¹⁰⁹ Lintner 2011.

Box 13: A Proposed Sample Test for Safeguards Certification on the Natural Habitats Policy (OP/BP 4.04)

1. Which of the following areas are likely to qualify as a Natural Habitat, as defined in OP/BP 4.04:
 - a. Native forests which have been selectively logged but where most trees remain standing.
 - b. Native grasslands with extensive livestock grazing.
 - c. Most freshwater lakes and rivers.
 - d. Coral reefs where some fish species have been depleted by over-fishing.
 - e. All of the above.
2. Which of the following areas would be likely to qualify as a Critical Natural Habitat, as defined in OP/BP 4.04:
 - a. A National Park or other legally protected area.
 - b. An officially proposed protected area.
 - c. An area which lacks official or legal protection, but is recognized of high conservation value.
 - d. A site believed to be critical for the global survival of one or more endangered species.
 - e. All of the above.
3. Under OP/BP 4.04, Bank- supported projects must not cause significant conversion (loss) or degradation of:
 - a. Any Critical Natural Habitat, under any circumstances.
 - b. Any other (non-critical) Natural Habitat, unless the same project supports a compensatory protected area or other mitigation measures acceptable to the Bank.
 - c. Both a. and b.
 - d. None of the above.
4. Which of the following types of investment is *least* likely to trigger the due diligence and mitigation requirements of the Natural Habitats Policy?
 - a. A biodiversity conservation project focused on strengthening a country's protected areas system.
 - b. Paving of an existing dirt road through a tropical forest.
 - c. A forestation of natural grasslands with non-native timber species.
 - d. A hydroelectric or water supply dam and reservoir.
 - e. A railway privatization that includes the large-scale divestiture of undeveloped, state-owned lands.
5. When a proposed project simultaneously triggers the Natural Habitats Policy as well as another Safeguards Policy with potentially contradictory requirements (Involuntary resettlement or Indigenous people), the project Task Team should:
 - a. Give top priority to the Involuntary Resettlement Policy, unless Indigenous People are present in the project area.
 - b. Give top priority to the Natural Habitats Policy, if the project is classified as Category A.
 - c. Give top priority to whichever Safeguards Policy has the most international NGO support at the time.
 - d. Work carefully with the Borrower and with the Bank's environmental, social, and legal specialist to design the project as to resolve any conflicts between the Natural Habitats and other Safeguards Policy requirements, striving for an optimal balance between the different policy objectives.
 - e. Avoid concern with implementing any of the conflicting policies if they effectively "cancel each other out".

Answers: 1.e., 2.e., 3.c., 4.a, 5.d.

Source: George Ledec, AFR.

4.5.1. External Training in Regional Priority Areas

A key component of each region's Environmental Safeguards Business Plan will be a skills assessment. The experience and educational background of the available safeguards specialists will be assessed in the context of the region's portfolio of projects. These regional assessments, which will be conducted under the supervision of each region's Lead Environmental Safeguards Specialist, will not just take into account the safeguards policies that are being triggered and the skills of available staff. It will also take into account types of projects being implemented or planned for implementation; sectors in which the bulk of project-related activities are taking place; the strengths and weaknesses of environmental management systems in client countries; and the institutional skill sets of implementing agencies.

The purpose of preparing this element of an Environmental Safeguards Business Plan is to allow environment units to get in front of potential demands and anticipate what will be asked of their environmental safeguards specialists. Currently, this sort of planning is difficult to implement, due to the lack of funding for safeguards activities. But with the reallocation of resources recommended by this report, environment units will be able to employ a number of different strategies to enhance the capacity of their staffs and thereby manage the demands on staff and provide better quality support at a lower overall cost.

This skills assessment will contain recommendations for areas where the region could benefit from more in-depth technical expertise to bring the quality of the region's safeguards work up to international best practice. Currently, expertise in several areas, such as risk assessment or occupational health and safety, is not available within the Bank. However, there are many institutes and universities offering short courses in these and other environmental management topics.

As part of their Environmental Safeguards Business Plans, the regional environment units could allocate funding to send their safeguards specialists to take one or more relevant courses. Many universities, particularly in the European Union, provide master's degree programs in various aspects of environmental planning and environmental impact assessment, and some may be willing to tailor training programs for Bank staff engaged in safeguards work.

These specialized courses, which might last for several months, would bring knowledge of global good practice into the Bank, while also increasing the technical skills of the region's environmental safeguards specialists, at a cost that could be much lower than that of hiring new staff. However, as noted elsewhere in this report, plans for hiring new staff should also be an element of regional Environmental Business Plan.

Private corporations routinely send some of their best employees to universities to get master's degrees in subjects in demand by the companies. The Bank may find it profitable to send some of their outstanding young safeguards specialists, who are often only trained as generalists, to get master's degrees in subjects of particular importance to the staff member's country and/or region. In return, the staff member would have to commit to staying with the Bank for a specified time period and sign a contract to that effect.

Part of the mandate of the Environment Anchor can be to maintain a list of programs that provide relevant and cost-effective trainings on topics requested by the regions, and to build ties to the institutions offering these programs. Once the required specialties and staff targeted for in-depth training have been identified, the Lead Environmental Safeguards Specialist in each region will identify proper placements for the safeguards specialists who are to undertake the training.

4.5.2 Other Knowledge Sharing Activities

Regional Environmental Safeguards Business Plans would also allocate training funds for other knowledge-sharing activities intended to spread good-practices, particularly regarding region-specific issues. These include:

- Bringing technical experts -- either consultants or Bank staff from Washington, DC -- into the country and regional offices to teach short courses on subjects relevant to the region.
- Creating mentoring programs within the regions and country offices so that experienced safeguards specialists can work with junior staff in a structured mentoring program. The mentoring program, which could be designed in Washington DC, would include specific guidelines to help mentors fulfill their roles effectively.
- Arranging staff retreats wherein the region's safeguards specialists, who are normally distributed throughout country offices and headquarters, could meet to discuss environmental management topics of interest, conduct in-person seminars, or develop and coordinate cross-cutting strategic objectives.
- Creating informal regional newsletters (in electronic form) that highlight best practices used by particular countries within the region (see Box 14 below for an example). This would encourage information sharing within regions.
- Preserving institutional memory by commissioning policy notes, or analytic works, on best practices in topics of particular importance to the region or areas where the region's staff are in possession of some particular expertise or lessons-learned.

Box 14: Best Practice Dissemination in the Africa Region

Safeguards Tip: Don't Classify Projects by the Number of Safeguards Policies Triggered. From George and Svetlana. Some environmental safeguards specialists and TTLs (in Africa as well as other Regions) have indicated that they use the number of safeguards policies (SPs) triggered as one basis for determining a project's environmental classification (particularly A vs. B). This is NOT considered good practice!! The environmental classification of projects should reflect the relative degree of risk for generating significant adverse environmental impacts. However, the reasons why some SPs are triggered do not necessarily correspond to an increased risk of adverse impacts; thus, the number of SPs triggered is not a reliable indicator of environmental risks. Some SPs apply even when the expected project impacts would be entirely beneficial. For example, the Forests Policy applies to all projects that may affect forests, whether positively or negatively (OP 4.36, Para. 3). The Natural Habitats OP 4.04 also applies to projects that are intended only to benefit natural habitats (OP 4.04, Para. 3), although only those projects that could harm natural habitats are subject to any restrictions or mitigation requirements (OP 4.04, Paras. 4-5). The Indigenous Peoples Policy (OP/BP 4.10) is triggered by project activities that seek to benefit indigenous peoples, as well as those activities that could adversely affect them. The Physical Cultural Resources Policy (OP/BP 4.11) applies broadly to many types of civil works (even those of fairly low environmental risk), since any substantial digging might possibly uncover archaeological relics, fossils, or other items of cultural interest. For proper environmental classification of projects, you are advised to apply the criteria stated in the Environmental Assessment Policy, particularly in Para. 8 of OP 4.01. More detailed guidance is provided in the attached ASPEN note on environmental categorization.

Source: Excerpts from AFR Newsletter, June 2010, George Ledec, AFR.

4.6 Conclusion

Staff interviewed for this report expressed concerns about the technical expertise available within the Bank to perform many of its safeguards-related tasks. The currently available safeguards training at headquarters is rudimentary and not widely available to staff in the field; this training program is not meeting the need for enhanced technical capabilities on the part of the staff conducting safeguards work.

A starting point in a training program to increase the efficiency and effectiveness of safeguards support at the Bank is to establish a basic level of safeguards training that would be required for *all* non-administrative Bank staff members. By having all non-administrative staff members receive at least a basic level of training in matters related to environmental safeguards, the Bank would be signaling its seriousness in pursuing environmental sustainability. This basic level of training, which could be easily accessible in the form of online tutorials (completed with quizzes to demonstrate proficiency), would provide a foundation for a set of supplementary on-line courses for staff members wishing to be accredited to work on different aspects of safeguards.

In addition, more advanced levels of supplementary training would be used to meet the needs of the following particular categories of staff:

- TTLs and Sector Managers
- Clients and their Environmental Consultants
- Environment Specialists and Consultants Supplementing Environmental Safeguards Specialists

The proposed online coursework would be far from sufficient as a mechanism to provide in-depth training to enhance the skills mix of safeguards support staff. For that purpose, a more ambitious training program would be developed within the context of the regional Environmental Safeguards Business Plans recommended by this report. The regions themselves are best positioned to assess their needs for staff strengthening. These business plans would identify the sources of training funds to be used to send safeguards specialists to relevant courses, where they can gain internationally-recognized training in the applicable areas. The assessment of regional training needs would be conducted under the supervision of each region's Lead Environmental Safeguards Specialist. The assessments would take into account the following: safeguards policies typically triggered in the region, skills of available staff, types of projects being implemented or planned for implementation in the region, sectors in which the bulk of projects-related activity takes place, the strengths and weaknesses of environmental management systems in client countries, and the skill sets of implementing agencies.

In addition to laying out hiring plans based on the training needs assessment, the regional Environmental Safeguards Business Plans would identify particular venues for external training that might last as long as several months or even consist of master's degree programs at universities. The subjects covered by this in-depth training would vary by region but might include such topics as occupational health and safety, noise pollution, and biodiversity conservation. The Environment Anchor would serve as the clearinghouse for information on available training programs as well as relevant university degree programs, and the regions would be able to identify key programs by coordinating with the Environment Anchor.

Environmental Safeguards Business Plans will also contain proposals for other staff development activities aimed at sharing knowledge of good practice as well as building a learning community within the regions. A host of region-based activities could be conducted for this purpose, including, among other things, short courses by outside experts, mentoring programs for junior environmental safeguards specialists, informal regional newsletters highlighting best practices, and environmental safeguards specialists' retreats.

5. Options for Clearer Environmental Categorization of Projects

5.1 Introduction

The Bank classifies projects in categories depending on the significance of their potential environmental impacts rather than on their environmental risks.¹¹⁰ Several evaluations¹¹¹ of the Bank's project classification system have identified a number of problems in the categorization of projects. The current safeguards system appears to encourage TTLs and RSAs to interpret ambiguities in a stricter manner than originally intended, which results in mis-categorization of projects. Most commonly, Category C projects are mis-categorized as Category B projects. Over-categorization results in a misallocation of Bank resources: a project that has been over-categorized is drawing safeguards resources that are disproportionate to its actual risk.

This chapter will: (1) provide a brief description of the current categorization schema of the World Bank; (2) examine deficiencies found in the categorization system and discuss the contributing factors that lead to the incorrect categorization of projects; and (3) offer alternative approaches to categorization that can be adopted in the short, intermediate, and long term to improve the Bank's approach to classifying projects.

5.2 Evidence of Mis-Categorization

According to the 2010 IEG analysis of the Bank's system for environmental classification, there is evidence of a general tendency to over-categorize projects. The IEG evaluation found that the percentage of projects classified as Category A and B increased dramatically over the past decade, while the percentage of projects classified as Category C decreased¹¹². The IEG was unable to identify any change in safeguards policies or procedures that explains the increase in Category B projects.¹¹³

While an increase in the number of Category A and B projects may reflect greater caution, during project appraisal, regarding environmental impacts of proposed projects, the IEG portfolio review reported on a "widespread perception among task team leaders that categorization of projects is driven by risk aversion rather than an empirical assessment of environmental and social risks."¹¹⁴ In one review, the IEG found that 15 projects were over-categorized; of these 15, 11 were misclassified as B when they should have been C categories, and 4 projects were classified as A when they should have been classified as B. Five other projects were found to have contradictions between the policies triggered at preparation and those reported on in subsequent implementation supervision reports. According to the IEG, this represents "an overly cautious triggering of safeguards policies, when impacts were not known."¹¹⁵

Among the wrongly classified Category B projects identified by the IEG, TTLs reported that 15 percent should have been Category A, while 77 percent should have been Category C since they had no, or very little, environmental and social impacts.¹¹⁶ Some staff reported that the additional guidance issued by

¹¹⁰ According to the World Bank's Operation Policy 4.01, the Bank conducts an environmental screening of each project during the preparation phase to determine the appropriate extent and type of Environmental Assessment to be undertaken. The Bank then classifies the proposed project into one of four categories, depending on the type, location, sensitivity, and scale of the project and the nature and magnitude of its possible environmental impacts.

¹¹¹ For example, the 2010 IEG evaluation on safeguards found a tendency for the Bank to over-categorize projects (i.e. many Category C projects are categorized as B).

¹¹² During the period of fiscal 1999-2008, the IEG found that the proportion of Category A projects increased from 5 to 11 percent; the proportion of Category B projects increased from 37 to 51 percent; and the proportion of Category C projects decreased from 40 to 18 percent.

¹¹³ IEG, 2010: 12-13

¹¹⁴ IEG, 2010: 20

¹¹⁵ IEG, 2010: 19

¹¹⁶ IEG, 2010: 20

QACU on classification and technical assistance matters has contributed to an increase in category B projects.¹¹⁷

A finding of the 2010 IEG safeguards evaluation is that the World Bank, IFC, and MIGA differ in their approaches to project classification. Consequently, these organizations can assign different categories for similar projects. In one analysis of 35 projects, the IEG found that this occurred in the classification of 17 percent of the projects (i.e., 6 out of 35 projects). For example, in three projects classified as Category B by MIGA, the World Bank would have classified the projects as Category A since the projects raised additional issues associated with natural habitats, cultural resources and trans-boundary waters. One project classified as Category C by MIGA, based on its 1999 Environmental Assessment Policy, would have been classified as FI by the World Bank. While dissimilar classifications can be attributed to differences in the language of each institution's respective environmental assessment policies, the overall findings point to a lack of consistency in safeguards implementation across the World Bank, MIGA, and the IFC.¹¹⁸ Another reason for the findings mentioned above is the tension existing between the increasingly risk-based approach to project preparation and the prescriptive safeguards system, which has not evolved concomitantly. Also it would be useful to clarify if a project should be classified on the basis of pre-mitigation or post-mitigation situation.

5.3 Checklists: A Short-Term Measure to Improve Categorization

There are several viable categorization options that the Bank could adopt to help reduce the systematic over-categorization of projects. The long-term goal is for the Bank to have in place an effective approach that is unambiguous and consistent. This section considers a short-term option based on checklists. Intermediate-term measures are considered in the next section.

As a short-term and easily-implemented measure, the Bank could develop detailed checklists for different types of projects to help determine which projects fall into Category A, B, C, or FI. These checklists would include clear, explicit, and detailed questions that address the most crucial social and environmental dimensions of proposed projects; this would reduce the role of subjective interpretations of the policies. The use of checklists would help decrease the proportion of misclassified projects and hence promote consistency for project classification within sectors and across regions.

An illustration is provided by a checklist used by the ADB, called the Rapid Environmental Assessment (REA) checklist,¹¹⁹ which is used for determining the categorization of proposed projects. The ADB employs a set of different REA checklists for different types of projects, such as projects pertaining to agro-industries, airports, fisheries, irrigation, hydropower, and so forth. Many of the questions within the REA are focused and explicit. An example is the following question, from the ADB's REAs pertaining to Ports and Harbors: "Will the project cause... deterioration of water quality due to silt runoff and sanitary wastes from worker-based camps and chemicals used in construction?" The World Bank could consider developing a checklist similar to the REA of the ADB.

5.4 Aids to Categorization Based on the U.S. National Environmental Policy Act Regulations

5.4.1 The U.S. Federal Approach to Environmental Assessment

Over time, the Bank will have opportunities to shift toward a more advanced system of project categorization. One medium-term option for improving the categorization system is based on the

¹¹⁷ IEG, 2010: 20

¹¹⁸ IEG, 2010: 28

¹¹⁹ ADB's checklists for the REA, which cover over 20 sectors, can be found at:
http://www.adb.org/documents/guidelines/environmental_assessment/eaguidelines002.asp#rea

“categorical exclusion” concept used to implement environmental impact assessments under the United States National Environmental Policy Act (NEPA).¹²⁰

“Categorical exclusion”¹²¹ is a designation used for types of projects not expected to have significant impacts on the environment. These project types are exempted from requirements to analyze environmental impacts. Therefore projects classified as being categorically excluded do not require an environmental assessment or an environmental impact statement.¹²² Each federal agency is responsible, under NEPA regulations, for identifying project types that are categorically excluded. To help guide federal agencies to identify project types that should be categorically excluded, section 23 Code of Federal Regulations (CFR) 771.117 provides a list of classes of actions that qualify for exemption. One group of such actions includes those which, based on past experience, have rarely caused adverse environmental impacts. Actions falling under this category, for example, include minor construction activities, such as construction of bicycle and pedestrian lanes, paths, and facilities. Additional examples of actions that automatically qualify for categorical exemption are listed in 23 CFR 771.117.¹²³

Another NEPA-related concept that can be adopted by the Bank is the “Mitigated Finding of No Significant Impact” (mitigated FONSI), which was established in the context of the U.S. NEPA process. If a proposed project does not qualify for a categorical exclusion or if the environmental impact is uncertain, NEPA regulations mandate agencies to conduct a preliminary environmental assessment to determine whether a project can be exempt from a more formal assessment. This preliminary EA is intended to be a succinct assessment that evaluates: the need for the proposed project; the likely environmental impacts of the proposed project; alternatives to the proposed project and their likely environmental impacts; and a listing of agencies and persons consulted during the preliminary environmental assessment. The EA process concludes with either a Finding of No Significant Impact (FONSI) or a need to prepare an Environmental Impact Statement. A FONSI is a document that provides scientific environmental analysis and other evidence and reasons for the agency’s decision not to conduct or prepare an environmental impact statement, and those reasons must establish that the environmental impacts will not be at levels considered to be *significant*. After a waiting period during which citizens may use the courts to challenge the agency’s decision to issue a FONSI for a proposed project, a project for which a FONSI is issued may be implemented.

In some instances, the preliminary environmental assessment will reveal that a FONSI is not justified, but it would be justified if the significant adverse impacts revealed by the preliminary assessment were mitigated using actions that would reduce all impacts to levels low enough *to be considered insignificant*. In such circumstances, agencies could issue a “mitigated FONSI,” which, as a practical matter, is subject to the same conditions as a FONSI.¹²⁴ As with a FONSI, the project proponent must allow for a period during

¹²⁰ The regulations for implementing NEPA, which are a form of administrative law, are available at: http://ceq.hss.doe.gov/nepa/regs/ceq/toc_ceq.htm

¹²¹ “Categorical exclusion” means a category of actions which do not individually or cumulatively have a significant effect on the human environment and which have been found to have no such effect in procedures adopted by a Federal agency in implementation of these regulations (Sec. 1507.3) and for which, therefore, neither an environmental assessment nor an environmental impact statement is required. An agency may decide in its procedures or otherwise, to prepare environmental assessments for the reasons stated in Sec. 1508.9 even though it is not required to do so. Any procedures under this section shall provide for extraordinary circumstances in which a normally excluded action may have a significant environmental effect. For specific examples of transportation-related projects subject to categorical exclusions, see:

<http://www.dot.ca.gov/ser/vol1/sec4/ch30ce/chap30ce.htm>

¹²² 40 Code of Federal Regulations (CFR) 1508.4

¹²³ The relevant section of the NEPA regulations is: Sec. 1508.4 Categorical exclusion (available at: <http://ceq.hss.doe.gov/Nepa/regs/ceq/1508.htm#1508.4>)

¹²⁴ The following is from a 2003 report of a task force recommending modernization of NEPA: “Mitigated FONSI are used by many agencies, although their purpose and use are inconsistent, and most agencies do not call them mitigated FONSI. Additionally, a consistent and well-understood definition of mitigated FONSI does not exist. Many agencies reduce a project’s adverse environmental effects early in the planning process using environmental enhancements or features as integral project

which interested parties may object to the mitigated FONSI designation and have the opportunity to challenge the designation using the courts.

However, if the preliminary environmental assessment concludes that a proposed project, even with proposed mitigation measures, may lead to significant environmental impacts, a formal Environmental Impact Statement (EIS) must be prepared. An EIS is subject to more requirements than those that apply to a preliminary environmental assessment, and public participation during the process is extensive. At the start of the EIS preparation, a "scoping process" is conducted in order to identify: issues to be resolved; people and organizations who are interested or will be affected by the proposed project; significant issues to be analyzed in the EIS; the roles and responsibilities of cooperating agencies; other Environmental Assessments or EISs related to the project; and gaps in information and data.¹²⁵ The scoping process is followed by preparation of a draft EIS and then a period of review and comment on the draft EIS. Once all comments are received, a final EIS is prepared. The final decision, which is based on the EIS and reflected in a formal Record of Decision,¹²⁶ can be challenged in court.¹²⁷

Citizen participation in the EA process is a fundamental characteristic of environmental assessment based on the NEPA. Indeed, the NEPA process is used to inform citizens of potential environmental impacts, and to give citizens opportunities to challenge decisions made by agencies, including opportunities to challenge the issuance of a FONSI or a mitigated FONSI. Under NEPA, projects which are neither categorically exempt nor covered by the issuance of a FONSI or a mitigated FONSI are subject to the complete set of environmental impact process requirements specified in NEPA regulations. In these cases, citizens have opportunities to participate in the process during scoping, during review and comment on the draft EIS, and after the issuance of the final EIS. These procedures could be adopted by Bank processes. As mentioned above, even FONSI and mitigated FONSI can be challenged in court.

5.4.2 World Bank Equivalents to the US EPA's Categorical Exclusions and Mitigated FONSI

The categorical exclusion approach under NEPA provides a simple way for EA practitioners in the United States to identify actions for which neither preliminary environmental assessments nor EISs must be prepared. This categorical exclusion concept could be adopted by the Bank to allow staff members to identify Category C projects quickly. In the Bank context, implementations of the categorical exclusion concept would require Bank experts in various sectors to prepare lists of actions that, based on past experience, would not cause notable environmental impacts. If a proposed Bank project includes only actions that are categorically excluded, this proposed project would be classified as Category C.

The other NEPA-related concept relevant to the Bank is the "mitigated FONSI." Recall that in the US context, agencies preparing preliminary environmental assessments may identify environmental impacts that are "significant," which would require the preparation of an Environmental Impact Statement. However, if an agency finds that specific mitigation measures, if adopted, would prevent a proposed project

components before making a significance determination. Agencies believe that reducing a project's adverse environmental effects below the significance threshold is good project planning, not mitigation; therefore, the FONSI is not called a mitigated FONSI. The Council on Environmental Quality supports use of mitigated FONSI to reduce project impacts below the significance threshold. Courts also support agency decisions not to prepare an EIS upon adoption of mitigation measures." From NEPA Task Force (2003) available at <http://ceq.hss.doe.gov/ntf/report/totaldoc.html#6.2> (accessed August 26, 2010).

¹²⁵ Council on Environmental Quality, 2007

¹²⁶ Based on the NEPA Regulations, following the Final EIS, the agency will prepare a Record of Decision that will:

- State what the decision was,
- Identify alternatives considered, and specify those that are environmentally preferable,
- State whether all practicable mitigation measures were adopted, and if not, explain why, and
- Where applicable, commit to a monitoring and enforcement program to assure implementation of mitigation measures.

Source: NEPA Regulations 1505.2

¹²⁷ See court decision in *Sierra Club v. United States Army Corps of Engineers* as an EIA challenged.

from having impacts that were at levels considered to be significant, the agency could issue a “mitigated FONSI,” rather than preparing an EIS.

The conceptual equivalent to the mitigated FONSI in the World Bank context could be based on the World Bank Group’s Environmental, Health and Safety (EHS) Guidelines.¹²⁸ Collectively, the guidelines contain performance levels, formal standards, and mitigation measures that are generally considered to be achievable in new projects and facilities by existing technology at reasonable costs. The General EHS Guidelines contain information on cross-cutting environmental, health, and safety issues potentially applicable to all industry sectors. The General EHS Guidelines are intended to be used together with one or more relevant industry sector guidelines. The sector-specific guidelines contain detailed information on industry-specific impacts and management practices, as well as performance indicators and monitoring.

As an example of how the general and sector specific guidelines can be used, consider the impacts of storm water from toll roads. The General EHS guidelines contain recommended practices for managing storm water during construction and operations, and those recommendations apply to projects in a wide variety of sectors. The guidelines are given under the following rubrics:

- Sediment mobilization and transport
- Clean [i.e., low-sediment] runoff management
- Road design
- Disturbance to water bodies
- Structural (slope) stability¹²⁹

The sector-specific guidelines for toll roads contain more specific recommendations for storm water management during the construction and operation of toll roads. For example, they include guidance in the form of:

- Encouragement of stormwater management practices that slow peak runoff flow, reduce sediment load, and increase infiltration, including vegetated swales (planted with salt-resistant vegetation); filter strips; terracing; check dams; detention ponds or basins; infiltration trenches; infiltration basins; and constructed wetlands.¹³⁰
- Maintenance of the road surface to preserve surface characteristics (e.g. texture and roughness)¹³¹

Even if the proposed toll roads project fully adopted the relevant good practice guidelines and standards in both the World Bank Group General EHS Guidelines and the specific World Bank Group guidelines for toll roads, that would not be, in itself, a basis for categorizing the project under Category B -- the key point is that the measures included in the guidelines would have to be adopted at levels that satisfied relevant performance standards. In other words, all expected environmental impacts would have to be – as a result of the mitigation measures based on the guidelines – at levels not considered to be significant. Under those circumstances, the proposed project would be designated as Category B. This would represent the equivalent of the mitigated FONSI under NEPA in the sense that if the relevant guidelines and standards were adopted in ways that reduced expected impacts to less than significant levels, the environmental impacts associated with toll roads would be adequately mitigated and EA requirements would be reduced. This approach, of course, assumes that such mitigation measures will be adopted in practice, and that the

¹²⁸ The General World Bank Group Environmental, Health and Safety (EHS) Guidelines are available at <http://www.ifc.org/ifcext/sustainability.nsf/Content/EHSGuidelines> (accessed on August 26, 2010). A complete list of the industry-sector guidelines can be found at: www.ifc.org/ifcext/enviro.nsf/Content/EnvironmentalGuidelines

¹²⁹ World Bank Group General EHS Guidelines: 89-90.

¹³⁰ World Bank Group General EHS Guidelines for Toll Roads: 4.

¹³¹ World Bank Group General EHS Guidelines for Toll Roads: 7

implementing agencies will exercise due diligence in ensuring that the required mitigation measures are properly undertaken and maintained.

5.5 Expert Systems as an Aid to Categorization

The ADB and others¹³² have found it useful to develop "expert systems" to aid in project categorization as well as other aspects of the environmental assessment process. Expert systems, also called "knowledge-based systems," are rule-based computer software systems, in which the rules embedded in the software reflect the knowledge of experts. In the context of project categorization, the knowledge contained by the system would be based on expert opinions regarding variables affecting the categorization of proposed projects. The experts whose knowledge is embedded in the software would be individuals with many years of practical experience in conducting environmental impact assessments and in categorizing projects based on the nature and significance of expected impacts. Expert systems can be designed with the capability to: (1) aggregate and incorporate information from multiple sources and formats (data bases, decision rules, checklists, etc.) and be updated as needed; (2) explain the basis for recommendations to all users, both expert and non-expert alike; and (3) provide structured and consistent assistance in categorizing Bank projects.

Many expert systems have been developed to assist with environmental assessment work. Examples include EIAxpert,¹³³ SCREENER, IMPACT, ORBI, EVA, SAGEE, REVIEW, and GAIA. Some of these systems have advanced beyond the prototype stage and are already available for implementation.¹³⁴

SCREENER is an example of an expert system that reviews projects based on potential environmental impacts. In Canada, SCREENER has been used in about forty different contexts by Canadian government departments.¹³⁵ The user selects from a menu of items describing the proposed project and the environmental characteristics of the area in which the project will be built. The program then assesses proposed projects in terms of one of five categories: a code of "1" is assigned to projects with no impacts; 2-insignificant impacts; 3-mitigable impact; 4-unknown impact; and 5-significant impact. Based on the categorization, the program provides recommendations for the level of EIA required for the project. SCREENER also provides the user with suggested strategies to mitigate adverse impacts.

As another example, Calyx-EA is an ADB-sponsored expert system that assesses the likely environmental and socio-economic impacts of projects. Users enter the characteristics of the project site and the project activities, and Calyx takes the user through a step-by-step process to identify likely impacts. Users can also create different scenarios for projects and compare their likely environmental impacts, using the comparison to help prepare a plan of action. Calyx-ADB was designed to aid environmental assessment practitioners in the Association of Southwest Asian Nations (ASEAN) countries. The software, which is based on Calyx-EA, provides assistance in screening projects, identifies important issues to consider during the review of environmental assessment reports, and provides a list of possible mitigation measures. Calyx-ADB was created over a two-year period by international and local environmental experts and has been implemented in four ASEAN countries: Thailand, Malaysia, Indonesia, and the Philippines.¹³⁶ Another system that could be considered is the RIAM (Rapid Impact Assessment Method), developed by a Dutch consulting firm.

¹³² Expert systems for categorization have been used, for example, by departments within the Government of Canada (Lohani et al., 1997).

¹³³ EIAxpert is a system that can easily be configured for a wide range of project types, application domains, regions and regulatory frameworks, rules and guidelines. See <http://www.ess.co.at/EIA/>

¹³⁴ Mead, 2006.

¹³⁵ Lohani et al. 1997

¹³⁶ Lohani et al., 2007.

Although the World Bank could not develop an effective expert system for categorization in the short term, it could probably create such a system within three to four years. Indeed, given the extent of international experience with these systems, a prototype that might be applied to projects in a few sectors could probably be developed within a two year time frame. Additional time would be needed for careful field testing and refinement.

5.6 Risk-Based Approach to Categorization

At present, categorization of Bank projects is based largely on the nature and magnitude of their expected environmental impacts rather than on risks. The Bank may consider for the longer term a move towards a categorization process based on a broad concept of risk, which would include components of risk as well as environmental impacts. An advantage of a risk-based approach is that it can incorporate a broad range of concerns (e.g., reputational risk), not just environmental impacts.

In the context of categorization, the broad concept of risk is conceptualized as including four risk components, one of which is reputational risk (e.g., the damage to the Bank's reputation associated with adverse Inspection Panel findings). While risks to the Bank's reputation are not an explicit component of safeguards policies, the IEG 2010 report makes it clear that TTLs and others are very sensitive to reputational risk, and they are attempting to avoid reputational risk when categorizing projects. A risk-based categorization scheme would incorporate explicit considerations linked to reputational risk and provide guidance to TTLs and others on how to characterize such risks.

A second related component of risk concerns the likelihood of poor project performance, defined as a failure to meet project goals and objectives. A variety of failures could cause such a shortfall in performance, including a client's failure to comply with environment-related covenants. Notwithstanding the precautions the Bank can take during project supervision, in the end, the Bank is not the organization that will implement the project. However, the Bank faces risks of poor project performance even when projects are well designed and the Bank performs its supervisory role with diligence.

A third risk component centers on uncertainties, and these uncertainties have multiple sources: political (e.g., changes in government during the course of project implementation); technical (e.g., soil conditions in the zone of a proposed underground metro system could be different from those anticipated); and financial (e.g., market prices for project inputs could be much higher than expected because of increases in world demand for those inputs). In addition, there are uncertainties in natural systems, such as the possible increase in the magnitude and frequency of extreme climatic events, such as droughts and floods, that are associated with global climate change.

The fourth and final dimension of risk consists of the environmental impacts that are the subject of existing environmental safeguards.

An example of a risk-based categorization approach can be found in the work of PricewaterhouseCoopers (PwC),¹³⁷ a consulting firm that has been active in helping companies identify new approaches to assessing and managing risks.¹³⁸ Another example is a global financial services company operating across the Middle East and North and Sub-Saharan Africa that ranks the risk level in every country in which it conducts business on a scale of 1 to 10 (1 being least risky and 10 being a very risky place to do business). These

¹³⁷ PricewaterhouseCoopers (PwC) is a consultant services firm.

¹³⁸ For example, PwC has provided assistance to aerospace and defense companies to help improve their supply chain risk management. PwC has identified: leading risk indicators in the aerospace industry (broken down into financial and operational risk indicators), sources of information about the risk indicator (i.e. industry reports), and people/agencies that hold information about the indicator (i.e. program managers) (PricewaterhouseCoopers, 2008; 2009a; 2009b).

risk ratings reflect a combination of political, economic, and market risk in the region as well as risk in the financial sector. Based on these risk ratings, the company determines where to allocate capital.¹³⁹

The European Bank of Reconstruction and Development's (EBRD) Environmental and Social Procedures is an example of a risk-based approach adopted by an international aid agency to identify the environmental and social risks of proposed projects. EBRD categorizes a proposed project as A, B, C, or FI depending not only on the project's potential environmental impacts, but also on the following questions pertaining to risk: (1) is the EBRD exposed to potentially significant reputational and/or financial risks and liabilities by lending to, or investing in, existing facilities?; and (2) does the security package the EBRD is considering include assets with associated social and environmental risks?¹⁴⁰

The European Investment Bank (EIB) uses a risk-based approach to “establish whether the environmental and social aspects of a project may still pose a potential risk, after mitigation, to the successful implementation and operation of the project and/or particular risk to the Bank.”¹⁴¹ The EIB's “Major Project Risks” refer to the possibility that the project and the EIB's reputation may be at risk for environmental or social reasons. The EIB determines, based on a qualitative judgment, an “Environmental and Social Risk Rating” of a project according to the likelihood of unanticipated changes in both environmental and social factors (e.g., natural events, policy changes, changes in law) that constitute a risk to the project (e.g., in terms of cost, timing, and changes in environmental and social impacts) and/ or to the EIB's reputation during either implementation or operation of the project. This evaluation of environmental and social risks helps in determining the overall acceptability of a project.¹⁴² The categorization of projects is then determined as follows: Category A is an acceptable project with positive or neutral residual impacts (low risks); Category B is an acceptable project with minor negative residual impacts (low or moderate risks); Category C is an acceptable project with major negative residual impacts (moderate or high risk); Category D is not acceptable for environmental reasons and not suitable for EIB financing (high risk).¹⁴³

The Bank could adopt a risk-based system that takes into account the previously mentioned four components of risk, but doing so would require innovative analytic work. The above-mentioned work of PwC, EBRD, and the EIB could provide a point of departure. Since not all projects are the same and some environmental risks may be different even among similar projects, risk-based assessment software could help rank the environmental and social risks along multiple parameters—duration, magnitude, intensity, and sensitivity.

The conclusions and recommendations on project categorization of this paper are endorsed by QACU:¹⁴⁴

There may be value in considering not only clearer guidance on Safeguard Policy triggers (which QACU believes is needed to address inconsistency in practice), but also: (a) clearer guidance on Category C activities; and (b) flexibility in using more than one instrument in a project (e.g., EA for component A, but only a construction EMP for components B and C). As noted in the IEG report on Safeguards, the application of the Category C designation has been perhaps too narrow in practice. We find [this paper's] recommendations useful in stimulating additional ideas on this topic.

5.7 Conclusion

The Bank classifies projects in categories depending on the significance of their potential environmental impacts rather than on their environmental risks. The current safeguards system appears to encourage TTLs and RSAs to interpret ambiguities in a stricter manner than originally intended, which results in mis-

¹³⁹ PwC, 2008.

¹⁴⁰ EBRD as described in Lage, 2010.

¹⁴¹ EIB, 2010: 59.

¹⁴² EIB, 2010: 59-60.

¹⁴³ EIB, 2010: 61.

¹⁴⁴ Lintner, 2011: 4.

categorization of projects. Most commonly, Category C projects are mis-categorized as Category B. Over-categorization results in a misallocation of Bank resources: a project that has been over-categorized is drawing safeguards resources that are disproportionate to its actual risk.

To help remedy the misclassification of proposed projects, the Bank has several alternative categorization methods that can be adopted in the short, intermediate, and long term. In the short term, checklists for categorizations based on project types, similar to the ADB's REA system, can be adopted. In the intermediate term, the Bank may shift toward a more advanced system of project categorization, and consider adopting guidelines that represent adaptations of the categorical exclusions and mitigated FONSI's used in implementing NEPA in the United States.

Another approach the Bank can adopt in the intermediate term is to use an expert system, similar to the ADB's CALYX-ADB, which would embody the knowledge of experts on categorization and make it available to Bank staff; this could be of significant assistance to less experienced safeguards specialists. In the long term, the Bank can consider conducting analytic work to devise a categorization process based on risk, which can incorporate a range of concerns (including reputational risk) in addition to potential environmental impacts.

The Bank can evaluate the experiences of other MDBs with the intention of identifying, within the next two years, the most suitable option for improving the accuracy and consistency of its categorization system.

6. Tracking Costs and Benefits of Safeguards Work

6.1 Introduction

Internal and external evaluations¹⁴⁵ of the safeguards framework have found the need to strengthen systematic data collection in order to determine whether or not negative environmental impacts, as identified in the environmental assessment documents, are actually mitigated. Factors contributing to the shortfalls in data collection include a lack of detailed guidance and monitoring operation manuals for data collection, a strong focus on indicators of procedural compliance rather than indicators of actual outcomes, and the difficulty of developing a homogenous set of performance indicators.

In order to strengthen the effectiveness of WBG safeguard work, it is important to identify approaches for tracking performance outcomes and implementation costs. This chapter sets the agenda. With the goal of improving effectiveness of safeguards implementation, the chapter starts by highlighting the provisions in the World Bank's Operation Policy 4.01 that require the systematic measuring, reporting, and evaluation of safeguards and discusses the need to strengthen systematic safeguards data collection. One recommendation is to measure performance outcomes based on the World Bank's Environmental, Health, and Safety Guidelines. In its third section, the chapter shows that safeguards implementation can be very costly, particularly for Bank clients, and argues the need for accurate measurement of such costs. Finally, the chapter proposes the implementation of a pilot program to evaluate environmental impacts in terms of the economic costs and benefits of safeguards implementation

6.2 Measuring Performance – Formal Requirements to Measure Environmental Outcomes and Insights from the WBG's Environmental, Health, and Safety Guidelines

Formal requirements to measure environmental outcomes have long existed in the form of provisions within the World Bank's OP on Environmental Assessment (OP 4.01). The provision for the tracking and monitoring of safeguards-related work in Paragraph 19 of OP 4.01 states:

During project implementation, the borrower reports on (a) compliance with measures agreed with the Bank on the basis of the findings and results of the EA [Environmental Assessment], including implementation of any EMP [Environmental Management Plan], as set out in the project documents; (b) the status of mitigatory measures; and (c) the findings of monitoring programs. The Bank bases supervision of the project's environmental aspects on the findings and recommendations of the EA, including measures set out in the legal agreements, any EMP, and other project documents.

Paragraph 3 of Annex 3 of OP 4.01 highlights the important role of data collection and analysis in understanding the effectiveness of mitigation measures:

Environmental monitoring during project implementation provides information about key environmental aspects of the project, particularly the environmental impacts of the project and the effectiveness of mitigation measures. Such information enables the borrower and the Bank to evaluate the success of mitigation as part of project supervision, and allows corrective action to be taken when needed. Therefore, the EMP identifies monitoring objectives and specifies the type of monitoring, with linkages to the impacts assessed in the EA report and the mitigation measures described in the EMP. Specifically, the monitoring section of the EMP provides (a) a specific description, and technical details, of monitoring measures, including the parameters to be measured, methods to be used, sampling locations, frequency of measurements, detection limits (where appropriate), and definition of thresholds that will signal the need for corrective actions; and (b) monitoring and reporting procedures to (i) ensure early detection of conditions that necessitate particular mitigation measures, and (ii) furnish information on the progress and results of mitigation.

Notwithstanding these formal requirements for measuring environmental outcomes, internal and external evaluations¹⁴⁶ of the safeguards framework have found the need to strengthen systematic data collection in

¹⁴⁵ World Bank-LCR 2006; World Bank 2007c; World Bank 2008; See IEG, 2010

¹⁴⁶ World Bank-LCR 2006; World Bank 2007c; World Bank 2008; See IEG, 2010.

order to determine whether or not negative environmental impacts, as identified in the environmental assessment documents, are actually mitigated. Internal and external evaluations¹⁴⁷ find that there is little systematic, structured information on safeguards implementation and outcomes in the context of supervision and monitoring reports. The IEG characterized information on safeguards in Implementation Supervision Reports and monitoring reports as “miniscule and generic, or absent, compared to more detailed information found in appraisal documents.”¹⁴⁸

The IEG’s summary observation on the ability to assess implementation of the World Bank’s safeguards and sustainability policies is highly critical:

[The World Bank Group] lacks a clear framework to assess the impacts of their safeguards and sustainability policies. Environmental and social outcomes of [World Bank] projects are not clearly articulated, performance indicators are rarely specified and integrated into projects results framework, and data to monitor and evaluate are not routinely collected and used.¹⁴⁹

One factor contributing to shortfalls in data collection is the strong focus on indicators of procedural compliance as opposed to indicators of actual outcomes. Safeguards policies are clearer as to the procedures and mandatory requirements for environmental assessment and development of mitigation plans before appraisal; as noted, safeguards policy documents offer relatively little guidance on the implementation phase. Any outcome-based measures that do exist—i.e., measures of what actually happened on the ground—appear to be based on perceptions and opinions of TTLs, clients, and other stakeholders, rather than on measurements of actual outcomes. Supervision generally focuses more on checking compliance with procedures than on monitoring outcomes. With no provisions for reporting on environmental performance included in the Implementation Completion Reports, actual outcomes go unreported or remain difficult to verify.¹⁵⁰

The organizational incentives faced by TTLs and safeguards specialists lead them to focus on ensuring that all procedural requirements are met during the project appraisal stage; they verify that categorization was completed, environmental assessment documents were prepared, and environmental management plans were completed. Under these circumstances, the measurement and evaluation of the effectiveness of safeguards focuses on whether or not procedures were followed during the appraisal process.¹⁵¹

In order to make progress in this area, major insights can be derived from the experience of other areas of the WBG. Notably, there is a systematic foundation already in place for obtaining performance indicators, and it consists of the World Bank Group’s Environmental, Health, and Safety Guidelines, which include industry-specific standards, performance indicators, and monitoring requirements for projects. These general and sector-specific guidelines can be used to measure performance outcomes; for example, the EHS provides industrial wastewater treatment standards for projects with potential to generate wastewater. The guideline is meant to be complemented by the industry-specific effluent guidelines in the Industry EHS Guidelines. The indicative guideline values applicable to sanitary wastewater discharges are shown in the following table:

Table 4: Indicated Values for Treated Sanitary Sewage Discharges^a

Pollutants	Units	Guideline Value
pH	pH	6-9
BOD	mg/l	30

¹⁴⁷ Park 2007, IEG 2008, World Bank 2007c.

¹⁴⁸ IEG, 2010, p.56.

¹⁴⁹ IEG, 2010, p.73.

¹⁵⁰ IEG, 2010: 51.

¹⁵¹ Interviews with environmental environmental safeguards specialists conducted part of this analytical work.

COD	mg/1	125
Total nitrogen	mg/1	10
Total phosphorus	mg/1	2
Oil and grease	mg/1	10
Total suspended solids	mg/1	50
Total coliform bacteria	MPN ^b /100 ml	400 ^a
<i>Notes: a: Not applicable to centralized, municipal, wastewater treatment systems, which are included in EHS Guidelines for Water and Sanitation; b: MPN = Most Probable Number</i>		

As part of the guidelines, a wastewater and water quality monitoring program with adequate resources and management is to be developed that considers the following elements in helping measure outcomes:

- **Monitoring parameters:** The parameters selected for monitoring should be indicative of the pollutants of concern from the process, and should include parameters that are regulated under compliance requirements.
- **Monitoring type and frequency:** Wastewater monitoring should take into consideration the discharge characteristics from the process over time. Monitoring of discharges from processes with batch manufacturing or seasonal process variations should take into consideration time-dependent variations in discharges and, therefore, is more complex than monitoring of continuous discharges. Effluents from highly variable processes may need to be sampled more frequently or through composite methods.¹⁵²

Category B projects could be exempted from preparing Environmental Assessments and Environmental Management Plans if they included in loan documents a requirement to comply with relevant provisions of the WBG's General EHS Guidelines as well as the WBG's EHS Guidelines for the particular sector, as well as a streamlined consultation process. This exemption would clearly not apply in the case of Category A projects.

6.3. Tracking Costs of Safeguards Implementation

Another crucial issue in improving the Bank's effectiveness in safeguards work is the need for accurate monitoring of implementation costs. In instances where cost data has been collected, the IEG indicated that safeguards-related costs are not broken out separately in the Bank's cost accounting database.¹⁵³ In this context, relevant Bank costs include direct staff costs of environmental and social specialists, as well as travel costs for identification, appraisal, and supervision of safeguard-related project components.¹⁵⁴

Feedback on costs from RSAs reveal that full Bank costs from safeguards supervision ranged from \$116,000 to \$250,000 for Category A projects, and up to \$130,000 for Category B projects.¹⁵⁵ However, these costs are not accurate, as they are based on perception or partial data rather than on actual quantitative costs recorded during safeguards implementation, so they do not capture the full costs incurred. Moreover, costs incurred by other staff and consultants on safeguards and costs that were incurred but charged to other project codes may not be counted. The IEG report noted that the Bank's expenditure on safeguards implementation is rather modest as the majority of total expenditures on safeguards were incurred by clients. While the median safeguards implementation cost for clients was on the order of \$6 million, the median figure for the World Bank was less than \$39,000. Recognizing this Bank figure as an underestimate, the IEG reported that the highest value in the range of safeguards implementation expenditures was \$250,000, which still represents a small fraction of the \$6 million median figure for

¹⁵² See the World Bank Group's General EHS Guidelines: Environmental, Wastewater and Ambient Water Quality Guidelines : 30-3, for the full set of monitoring guidelines.

¹⁵³ IEG, 2010: 88.

¹⁵⁴ IEG, 2010.

¹⁵⁵ IEG, 2010: 88.

clients. The IEG reported that the median safeguards cost of \$6 million represents 5% of the total loan amount and 3% of total project cost.¹⁵⁶

According to a World Bank 2006 internal review,¹⁵⁷ the Bank's available budget does not usually include funding for regular supervision by environmental safeguards specialists. TTLs may opt not to spend budgetary allowances on safeguards issues and they have incentives to cut costs because of budget constraints. A World Bank 2006 regional review¹⁵⁸ uncovered significant gaps in the assignment of environmental and social safeguards specialists to project teams with major safeguard issues and in the participation of assigned specialists in project supervision missions. An RSA interview conducted for this paper indicated that the section of an ISR that requires an assessment of ongoing implementation of safeguards hardly ever receives the same weight as other aspects of the project's implementation.

Greater World Bank expenditures on monitoring the costs of safeguards are justified, given that clients are spending many millions of dollars (an average of nearly \$20 million for Category A projects in the IEG's sample of 53 projects) to meet Bank safeguards requirements.¹⁵⁹ In contrast, the Bank's average expenditure on a sample of Category A projects was less than \$60,000.

An important finding from the above evaluations is that the Bank should develop a systematic approach for tracking costs and performance outcomes of safeguards-related work. The most straightforward data collection exercise would track costs of safeguards implementation, including not only direct staff costs of environmental specialists but also travel costs for identification, appraisal, and supervision of safeguards aspects of projects, as well as the costs of staff other than safeguards specialists who participate in safeguards work.

As noted in earlier chapters, incentives can be changed to put greater emphasis on safeguards implementation. In particular, the proposed regional Lead Environmental Safeguards Specialists could be required to compile and analyze complete World Bank safeguards implementation cost data for all projects within their regions each year. The Environment Anchor could be made responsible for supervising the analysis of safeguards implementation costs from all regions.

Given the enormous difference between cost of implementation for clients and cost for World Bank staff, an effort should also be made to systematically collect data on the cost to clients. All environmental management plans include budgets for impact-mitigation interventions. During project implementation the actual cost of each one of these interventions can be collected systematically from the implementing agencies. If the benefits and costs of safeguards implementation are ever to be estimated on a systematic basis for use in benefit cost analysis, data on the cost to clients need to be incorporated in cost estimates.

6.4 Going Beyond Monitoring Effectiveness: Estimating Monetary Benefits of Safeguards Implementation

Using accurate information on safeguards performance and on costs would go a long way toward improving the monitoring of effectiveness of World Bank safeguards work. Another issue on the agenda should be the use of valuation techniques to measure the monetary benefits of safeguards implementation. But the collection and treatment of data on the *benefits* of safeguards is at the moment very challenging. Given that outcomes have not been systematically monitored or appropriately documented, there is little that can be said about the benefits in terms of impacts successfully mitigated. The IEG reported that in the rare cases where benefits were recorded, there was no attempt to place a monetary value on non-marketed

¹⁵⁶ IEG, 2010: 88.

¹⁵⁷ World Bank-LCR, 2006.

¹⁵⁸ World Bank, 2006

¹⁵⁹ IEG, 2010: 88.

environmental goods and services.¹⁶⁰ The IEG found it very difficult to establish counterfactuals to determine the incremental value of safeguards policies relative to what would have happened without safeguards.

In cases where benefits of safeguards implementation were tracked, the IEG found a heavy reliance on qualitative descriptions. Illustrative benefits mentioned in project documents include: “reduction in accidents or health damages, improved safety standards for the population, enhanced developmental opportunities through compensatory mechanisms, and protection of use rights from common property resources and improved livelihoods.”¹⁶¹ Clients also provided qualitative descriptions of benefits. Examples of qualitative incremental benefits found in client project documents include: “better management of environmental, social, health and safety risks, and improved community and government relations and access to funding.”¹⁶²

In contrast to costs, for which measurement problems are well known and can be overcome with reasonable effort, there are challenges associated with obtaining monetary estimates of benefits of safeguards implementation. The development of procedures for estimating benefits of environmental resources and environmental damages avoided has been an active subject of research in economics for many decades. In the context of cost-benefit analysis for investment projects of multilateral development banks, progress has been made since the 1980s.¹⁶³ Notwithstanding this progress, the monetization techniques employed are still limited by data availability, particularly in developing countries. Moreover, their application in the context of estimating the *ex ante* net benefits of environmental safeguards implementation would need the development of appropriate modeling techniques.

However, this is an area of work which should receive increasing attention. As an example of how the monetary estimation of benefits due to safeguards implementation can be integrated into a broader analysis, consider the following approach, which is an adaptation of the *ex ante* context of an approach articulated by ADB.¹⁶⁴

1. Determine the spatial (physical) and conceptual boundaries to be used in the analysis.
2. Identify the monetary costs of safeguards implementation, including the costs incurred by both World Bank staff and by the client in preparing terms of reference, hiring consultants, etc.
3. Identify environmental impacts of the project that were avoided as a result of mitigation measures specified in the Environmental Management Plan.
4. Based on the types of avoided environmental impacts involved, identify appropriate monetary evaluation techniques.
5. Use evaluation techniques to estimate monetary values of costs and benefits (e.g., costs avoided by mitigation measures) on an annual basis over the useful life of the project.
6. Calculate the sum over the useful life of the project of the present value of annual costs and benefits, and use that to determine the net present value.

As indicated in a World Bank note prepared by Dixon and Pagiola (1998), there are many different techniques that can be used to estimate the monetary value of benefits. ADB has also prepared a list of

¹⁶⁰ IEG, 2010.

¹⁶¹ IEG, 2010: 87.

¹⁶² IEG, 2010: 87.

¹⁶³ The ADB published a paper by Dixon et al., 1988, “Economic Analysis of the Environmental Impacts of Development Projects” that discusses monetizing benefits. The ADB in 1996 published “Economic Evaluation of Environmental Impacts: A Workbook” as a follow-up which provides the user with a step-by-step valuation procedure. The ADB’s 1997 “Guidelines for the Economic Analysis of Projects” discusses how economic values of environmental impacts can be incorporated into project analysis.

¹⁶⁴ For information pertaining to issues in the incorporation of environmental values in cost-benefit analysis and description of the different methods for economic valuations, see Chapter 6 of Lohani et al., 1997b. The items listed here are adapted from that source.

techniques for benefit estimation.¹⁶⁵ Conducting ex-ante analyses of costs and benefits requires analytic work, but given the high monetary stakes involved for client countries, analytic work is worth undertaking. By conducting such analytic work, the Bank would take advantage of a genuine opportunity to demonstrate leadership in this field. Analytic work could be employed to determine the feasibility of using existing cost and benefit estimation techniques to estimate the monetary net benefits of safeguards implementation.

For QACU, the recommendations of this paper on monitoring data to track the results of safeguards implementation and developing methods and systems for tracking costs and benefits of safeguards implementation may be relevant, depending on decisions about expansion of the Use of Country Systems beyond the current pilot stage. According to QACU:¹⁶⁶

If Management and the Board were to conclude at the end of the current two-year review and update process that the current Safeguard framework should remain unchanged, [this paper's] recommendations on this topic merit careful consideration by Management. ...At the same time, cost-benefit analyses should be considered as part of the process of reviewing global best practice in recommending an updated framework.¹⁶⁷

6.5 Conclusion

The paucity of monitoring data to track the results of safeguards implementation was a subject treated extensively in several evaluations of safeguards as well as the 2001 Bank Environment Strategy. There are formal provisions in the World Bank's Operation Policy Manual 4.01 requiring the systematic measuring, reporting, and evaluation of safeguards outcomes, but given budget and time constraints, TTLs and others in the Bank have few incentives to conduct systematic monitoring of environmental outcomes.

Interviews with Bank staff showed that under the current system, resources for safeguards preparation and supervision are viewed as "residual" and, in practice, get squeezed out by more compelling "priority" items. Some respondents highlighted that there is a tendency in Environmental Assessments to look at short-run implications rather than broader long-run environmental sustainability issues. For instance, they mentioned that indirect and cumulative impacts do not have much priority in these assessments.

The interviews conducted for this report pointed to another issue that contributes to poor data collection: it is difficult to come up with a set of indicators that would be useful for indicating -- for the broad range of project types in the Bank's portfolio -- whether or not negative impacts were mitigated. Interviewees generally underscored the difficulty in developing a homogenous set of performance indicators, as the relevant parameters to track would be project-specific or, at the very least, sector-specific, and would need to reflect the complexity of the project at hand.

Even though the information on the costs of implementing safeguards requirements is incomplete, these implementation costs are substantial, especially for the Bank's clients. While relevant costs incurred by the Bank are easier to obtain than costs incurred by clients, complete data for client-incurred safeguards costs can be obtained without great difficulty.

Factors contributing to the shortfalls in data collection include: a lack of detailed guidance and monitoring operation manuals for data collection; strong focus on indicators of procedural compliance rather than indicators of actual outcomes; and difficulty in developing a homogenous set of performance indicators.

¹⁶⁵ Methods for Economic Valuation of Environmental Impacts are discussed in Chapter 6 of Lohani et.al, 1997

¹⁶⁶ Lintner, 2011: 4.

¹⁶⁷ However, according to QACU "if the Board should agree with the IEG's recommendation, and Management's current preliminary thinking, that there is a need to substantially expand the Use of Borrower Systems beyond the current pilot stage (as laid out in OP 4.00 in its present form), decisions regarding these recommendations should be deferred." Lintner, 2011: 4.

The collection of data is deficient for both costs and benefits of safeguards implementation. Some data are collected on the cost to World Bank staff of safeguards implementation, but this information generally underestimates the total cost. There is no systematic data collection for the cost to clients, and this is particularly crucial since the great majority of safeguards implementation costs are incurred by clients. Whereas the Bank typically pays tens of thousands of dollars to implement safeguards, clients pay many millions of dollars.

Incentives to improve follow-up data collection in tracking of safeguards implementation can be improved by taking advantage of the new position mapping outlined in this report. In particular, the proposed Lead Environmental Safeguards specialists within each of the regions could be required to compile and analyze complete World Bank safeguards implementation cost data for all projects within their regions each year. The Environment Anchor could be made responsible for supervising the analysis of safeguards implementation cost from all regions.

While evaluations have noted the absence of outcome indicators to measure the performance of environmental safeguards, there is a potential remedy for this problem in the WBG's Environmental, Health, and Safety Guidelines. These Guidelines include relevant performance indicators and standards and provide a template for setting out monitoring requirements.

A risk analysis conducted by the 2010 IEG evaluation found that higher-risk projects provide higher potential benefits when the risk is mitigated. However, identifying risk during the appraisal process is not enough; benefits are realized when the risk is adequately mitigated, which requires careful supervision and monitoring throughout the safeguards process. A relatively weak ability to mitigate negative impacts was found by the IEG to significantly lower benefits. Thus, benefits can be enhanced by investing in client capacity to reduce the probability of adverse environmental impacts.¹⁶⁸

The World Bank is well positioned to demonstrate leadership in the field of environmental assessment by conducting analytic work to determine the feasibility of using existing cost and benefit valuation techniques to estimate the monetary net benefits of safeguards implementation. While the problems are straightforward and surmountable on the cost estimation side, there will be challenges in calculating the benefits of safeguards implementation in monetary terms. That said, however, analytic work based upon *ex ante* benefit cost studies of a sample of existing projects would at least demonstrate the possibilities for using cost-benefit analysis to properly assess the net benefits of implementing the safeguards requirements.

¹⁶⁸ IEG, 2010: 82.

7. Towards a Strengthened Sustainable Safeguards Framework

7.1 Introduction

The Bank's Management has committed to undertake a global review of best practices and a consultation process to update and consolidate the Bank's safeguards and sustainability policies.¹⁶⁹ The review will not be limited to procedural aspects, as it will focus on how the Bank can help achieve outcomes with greater environmental and social sustainability, as well as on helping country clients build institutions that can effectively pursue such outcomes. In addition, the review will provide an opportunity to enhance the Bank's toolkit, as it will include the exploration of "policy and regulatory instruments that can be used in addition to environmental and social impact assessments, to both mitigate adverse impacts and also enhance support for broader environmental and social sustainability in projects."¹⁷⁰

This chapter addresses a number of considerations to shape a strengthened sustainable safeguards framework at the Bank, including: (1) whether the Bank should continue with a safeguards policy framework focused on prescriptive policies emphasizing procedural compliance or move towards substantive compliance and environmental sustainability principles; (2) whether the Bank's safeguard framework should continue relying primarily on environmental assessments or adopt other environmental policy instruments; and (3) whether the Bank's safeguard policies should continue to focus on mitigating negative impacts or broaden the scope of policies to incorporate additional environmental sustainability components, such as the enhancement of positive environmental impacts and measures to strengthen the capacity of Bank clients to engage in environment-related work.

7.2 Prescriptive Policies versus Principles

7.2.1 A Comparison of the WBG's Safeguards and Performance Standards

In the World Bank Group, there are two approaches for preventing or mitigating adverse impacts of projects. One is the World Bank's Safeguard Operational Policies, which are a set of prescriptive policies, and the other is the IFC's and MIGA's Policy and Performance Standards on Social and Environmental Sustainability, which are a set of principles. The Performance Standards system was adopted by the IFC in 2006, by MIGA in 2007, and subsequently by more than 67 international financial institutions that have agreed to comply with the Equator Principles. This widely adopted Performance Standards approach varies in some important respects from the safeguards system.¹⁷¹

The IFC's earlier safeguards framework, adopted in 1998, contained ten safeguards policies modeled on, and generally analogous to, those of the Bank. In the mid-2000s, however, the IFC began developing the Performance Standards regime as a result of criticisms that the safeguards system was not capable of handling complex and evolving situations on the ground and not producing desired development outcomes. The eight Performance Standards that the IFC adopted were meant to move the IFC towards an outcomes-based approach to environmental and social management. This approach was based on having the IFC's private-sector partners take steps to adopt effective environmental management systems (as part of their basic operations) that were designed to comply with the IFC's requirements.¹⁷²

¹⁶⁹ Bank staff members interviewed and consulted during the preparation of this analytical work recommended taking advantage of the global review of best practices to assess the benefits and rationality of the requirements of OP 4.01. For example, based on the current policy, consultants that carry out pre-feasibility or feasibility studies for an investment project cannot elaborate the environmental assessment for that same project. Some stakeholders consider that this has become an obstacle for environmental mainstreaming at the earliest stages of investment projects.

¹⁷⁰ IEG, 2010: xxvi.

¹⁷¹ IEG, 2010: 106.

¹⁷² IFC, 2006a.

Both the World Bank and the IFC's systems require screening of potential significant impacts (called environmental categorization by the World Bank) and assessment of those impacts, under the World Bank's OP 4.01 (Environmental Assessment) and IFC Performance Standard 1 (Social and Environmental Assessment and Management Systems).¹⁷³ However, there are a number of differences between the IFC Performance Standards and the Bank's safeguards system. For example, the IFC includes performance standards covering subjects that are not addressed in the World Bank safeguards, such as labor and working conditions and community health, safety, and security. These two approaches differ in the way they approach the design and supervision of negative impact mitigation. Under the Bank's safeguards system, the design of mitigation measures is included in the project design and loan covenants. It is assumed that environmental outcomes will improve as a result of these mitigations, but no specific outcome is required. Under the IFC Performance Standards system, environmental outcomes are included in the legal agreement and the focus is on designing systems within the implementing partner that can monitor and achieve these outcomes. If outcomes are substandard, then the implementation partner can be held responsible under the loan agreements regardless of what mitigations they have attempted.

In the World Bank, the borrower designs mitigations for the identified impacts. These are outlined in Environmental Management Plans, which detail the actions required for the implementing agency to carry out the mitigations.¹⁷⁴ The outcome of this process is the implementation of specific interventions -- for example, erosion control terraces, noise abatement barriers, wastewater treatment plants, or watershed restoration -- to cope with the environmental impacts expected to arise from project activities. It is assumed that if the borrower is in compliance and completes the required mitigations, then the environmental outcomes will be positive. However, while the agreement requires compliance with the environmental management plan that incorporates these mitigation measures, the agreement with the client does not usually require particular environmental outcomes per se.

In the IFC, the borrower designs a system that is capable of managing the impacts that might arise from a project. This system could consist of a combination of operational policies, procedures, and practices.¹⁷⁵ Desired environmental outcomes, with measurable indicators, are also identified. An Action Plan can also arise as a result of the Environmental and Social Assessment, which includes specific actions or mitigations to be undertaken as a result of the project.¹⁷⁶ The creation of this system, and these measurable outcome indicators, are then covenanted into the legal agreement. The end result of this process is not proposed mitigation actions, but outcome-based procedures leading to measurable environmental results.

7.2.2 Procedural Compliance vs. Substantive Compliance

As described in the previous section, the WBG uses two approaches to minimize negative impacts, a "compliance-based" system versus an "outcomes-based" (substantive compliance) system. A compliance-based system, like the World Bank's, is more front-loaded in the sense that it employs most of its quality control and compliance review effort during project appraisal. It relies heavily on good project design, and puts responsibility for assessing all possible impacts and designing all the measures to mitigate those impacts onto task teams and those conducting the environmental assessment. Supervision is limited to assessing whether the implementing agency is undertaking the agreed-upon mitigation measures.

An outcomes-based system, like the one reflected in the IFC's Performance Standards, places greater emphasis on good project supervision. In this approach, assessing impacts and designing mitigations before project approval is relatively less important than the creation, or strengthening, of systems within the implementing organization that will allow it to carry out the supervision functions aimed at meeting

¹⁷³ IFC, 2007.

¹⁷⁴ World Bank, 2006.

¹⁷⁵ IFC, 2006b.

¹⁷⁶ IFC, 2006b.

outcome targets, defined by the measurable environmental indicators in loan covenants. What is important is the ability to identify cases where implementing organizations are not meeting target outcomes and to be able to exert pressure, through the legal agreement, to improve performance.¹⁷⁷

The 2010 IEG evaluation, in interviews with NGOs, reported that there were some concerns regarding whether a Performance Standards system like the one used by the IFC would weaken performance by the Bank. They questioned if the shift from the Bank's emphasis on compliance with the design and implementation of required mitigation measures to the IFC's emphasis on supervision to ensure that measurable outcomes are achieved would result in the Bank (and other development banks) no longer being held accountable if their clients did not fully comply with the Performance Standards.¹⁷⁸

However, under the current World Bank system, it is very difficult to measure the environmental performance of the Bank, because there is no systematic tracking of measurable indicators of environmental outcomes. Moreover, the Bank's approach lacks flexibility and responsiveness because mitigations are locked in and cannot be changed in response to new data or circumstances. Consequently, unexpected impacts cannot be responded to efficiently, and so options for practicing "adaptive environmental management" are much reduced.

It has been the experience of the Bank environmental staff members who were interviewed for this paper that project deadlines militate against high-quality EA work. In practice, a tight timeline, budget constraints, and client pressure make it difficult to produce high-quality EAs. For instance, it was noted that category A projects need to be appraised within a 12-month period following the Project Concept Note (PCN) approval; however, in practice, the aim is to appraise the project six to eight months after PCN approval. Yet, according to the Bank's own procurement rules, it takes at least four months to recruit a qualified international consultant company, which is then given three to four months to perform the environmental assessment. Besides the obvious tension in the fact that the time to recruit an EA consulting company is greater than the time made available to it for carrying out the assessment, it was reported that the time allotted is often less than what is needed for a good EA, that is, 7 to 9 months. Because of these constraints, implementing agencies contract individual local consultants instead of international specialized consulting companies.

The disparity between the paramount importance of high-quality work and the time and budget allocated for carrying out this work results in EAs of uneven quality. Sometimes, EAs reflect international best practice, particularly when they are carried out by experienced international consultant companies that work with a well-qualified, country-based team, and the terms of reference (ToR) are comprehensive and incorporate the results of consultations with local stakeholders. However, sometimes the ToR may leave out important elements, and both the ToR and the resulting EAs often exhibit evidence of a "cookie-cutter" approach.

While improving the quality of Environmental Assessments is part of the ongoing strategy of the Bank, there is also the question of whether adopting an outcomes-based approach might mitigate some of the impacts caused by poor Environmental Assessments. The outcomes-based scheme could accomplish this by allowing for a more flexible approach to environmental management and by putting greater emphasis on attainment of measurable environmental outcome indicators.

The 2010 IEG evaluation recommends re-evaluating the Bank's compliance-based approach, as it "is becoming less effective as [the Bank's] portfolio moves beyond traditional investment projects (which now constitute less than half of new lending across the WBG)."¹⁷⁹ Several evaluations¹⁸⁰ and interviews carried

¹⁷⁷ IEG, 2010: 17.

¹⁷⁸ IEG 2010: 106.

¹⁷⁹ IEG, 2010: ix.

out as part of this analytic work have pointed out that the Bank's current context is different from the one that existed when the safeguards policies were introduced. These evaluations and interviews underscored the need for a safeguards and sustainability framework that is able to adapt and remain relevant to the changing circumstances in which the Bank now operates, circumstances characterized by: a diversification of Bank clients, ranging from middle-income countries with well-developed institutions and capacities to fragile and conflict states with weak institutions; the increased role of the private sector as a development partner of the Bank, resulting in an increased role for the IFC and MIGA in the WBG's overall portfolio; the evolution of the Bank's lending portfolio from heavy reliance on stand-alone investment projects toward greater use of other financial instruments; and the increased prominence of analytical and advisory services offered by the Bank to build client institutions and capacities.

The characteristics of lending have also changed. Lending in sectors with significant environmental and social risks—infrastructure and agriculture—had decreased in the 1990s, but has started to grow again in the last decade, leading to renewed demand for safeguards expertise. At the same time, the nature of World Bank lending has changed, featuring—in over half the portfolio—greater use of lending instruments that are not well accommodated by the Bank's compliance-based safeguards approach. For example, in a number of medium-income countries and some low-income countries, the Bank's lending has evolved from investment project loans toward a growing portfolio of development policy loans (DPLs) for institutional and policy reforms and programmatic loans for social sector, financial sector, and governance operations. Safeguards policies were developed for investment projects, but are more difficult to implement in sector-wide investment programs, financial intermediary projects, community-driven development projects, and other types of decentralized projects. While noting the Bank's efforts to respond to the changing context through ongoing investment lending reforms, the above-mentioned evaluations and interviews highlighted the need for significant adaptation of the safeguards policies to ensure their continued relevance.

7.3 Efficient and Effective Instruments for Mitigating Negative Environmental Impacts

More than 25 years ago, the environmental impact assessment approach was formalized in the Bank's environmental assessment (EA) requirements. However, the regulatory frameworks and institutional capacity in several Bank client countries has evolved rapidly.¹⁸¹ To understand why the proposed global review is called for, it is necessary to consider whether the Bank's existing environmental framework is applicable and appropriate to all Bank client countries. Rapidly developing countries, such as Brazil and China, for example, often have highly developed environmental laws and regulations. Can a set of environmental requirements that may be effective in Brazil or China be expected to be effective in very poor countries, such as Haiti or Burkina Faso, or in countries plagued by political instability and social unrest, such as Afghanistan, Colombia, the Democratic Republic of Congo, or Iraq? Under these circumstances, the Bank may be better served by environmental instruments that recognize and adapt to the wide variations in the capabilities and political stability of its clients.

Another reason that it may be necessary to review the state-of-the-art instruments used for environmental planning and management centers on the ambiguities associated with the instruments currently used by the Bank. For example, it is unclear whether issues related to occupational health and safety should be treated under the Bank's environmental instruments. What about issues associated with the seismic safety of civil works (facilities such as schools and public health centers) funded by the Bank? Should such seismic safety issues be considered "environmental" and therefore be treated by the environmental requirements and included in Environmental Management Plans? If so, then just where is the boundary of what is to be considered "environmental"?

¹⁸⁰ See for example World Bank-LCR, 2006 and IEG, 2010.

¹⁸¹ Biller 1998; Margulis, 1996.

Most of the Bank staff interviewed for this analytic work suggested amending the Bank's environmental policies to fully align the instruments for environmental planning and management with the poverty alleviation goals of the Bank, as well as the environmental priorities of client countries. Several interviewees suggested that the objective of the proposed consultation and concomitant analytic work might include examining the challenges associated with the Bank's environmental safeguards policy framework and reviewing the state-of-the-art instruments used for environmental planning and management. The suggested work includes identifying opportunities and examining options for strengthening the Bank's environmental operational procedures and practices in the context of the Bank's support for sustainable development and poverty reduction. In this context, QACU considers that:¹⁸²

The next generation of the Bank's Safeguard Policy framework [needs to address]: (a) a clearer distinction between what the Bank expects of itself (its policy) and what it expects of Borrowers; and (b) a requirement for a public reporting mechanism by the Borrower to local communities for project implementation vis-à-vis managing environmental and social risks and impacts (which places public accountability for project implementation where it belongs).

Notwithstanding the existence of safeguard requirements for Natural Habitats, Forests, and Pest Management, the Bank uses environmental assessment as the *only* instrument for environmental management and compliance. This raises an important question: are there alternative environmental instruments that can be used to supplement the EA and other environmental safeguards to ensure that the environmental instruments used by the Bank align well with its overall goal of poverty reduction?

In an effort to avoid damage or harm to third parties, most countries have regulatory frameworks with hundreds of regulations, and mixes of policy instruments such as traditional command-and-control regulations, market-based instruments, and so forth. Invariably, these different types of policy instrument are used simultaneously. They are not viewed as alternatives. In contrast, the Bank relies on only a small set of command-and-control policy instruments and operational procedures, primarily environmental assessments and procedures related to compensation requirements for lost natural habitats, prohibition of selected pesticides, and so forth. In most developed countries, environmental impact assessment is used to open up the decision-making process to public scrutiny and is considered a planning tool to inform the public about the potential consequences of investment projects with potential significant environmental impacts. In this regard, environmental impact assessment is only one of numerous instruments for informing the public of potential impacts and allowing for citizen participation in planning and decision-making.

To support this view, it is only necessary to reflect upon the many environmental policy instruments used by national and sub-national governments in many countries. A typical policy instrument classification scheme includes:

- Command-and-control regulations, as illustrated by wastewater discharge permit requirements.
- Market-based instruments, such as direct subsidies, taxes and tax exemptions, emission fees, and marketable permits to pollute.
- Information disclosure requirements, as illustrated by the PROPER system in Indonesia, Toxic Release Inventory in the United States, and the Greenwatch Program in China.
- Voluntary business-government arrangements, as illustrated by the Energy Star voluntary labeling program introduced by the US EPA.

¹⁸² Lintner, 2011: 5.

- Private voluntary codes, such as the ISO 14,001, the environmental management system program introduced by ISO.

Most of the Bank staff interviewed for this analytic work and particularly staff from DEC (the research and development arm of the Bank) suggested that the Bank’s environment policies might be updated to go beyond a consideration of command-and-control strategies. According to DEC:¹⁸³

The Bank needs much more generally to move beyond a simple command-based safeguards approach, toward approaches where costs and benefits can be compared much more directly and transparently. [There is] a need for a discussion of what policy instruments should be used, where and in what contexts, that are efficient and effective in promoting the basic aims of policy, which are to improve the welfare of people in the Bank's client countries. The last few decades have seen considerable advances in our understanding of the workings of different environmental policy instruments. More focus should be placed on what instruments are most useful in different situations, with the aim to provide the best possible outcomes in terms of welfare.

In contrast, QACU argues that “the Bank [must remain] committed to the objectives and most of the key operational principles of its current safeguard system as articulated in its Operational Policies:¹⁸⁴

The objectives and operational principles of the Bank Safeguard Policies are more relevant than ever to the global context in which the Bank operates, as well as to the legal systems of its Borrower countries. The Bank, as a multilateral institution, should think twice before abandoning the objectives and many of their supporting operational principles in favor of the ostensibly more pragmatic “differentiated risk” approach recommended in [this paper].

Research findings from different authors have found that many command-and-control strategies are ineffective when government monitoring and enforcement capabilities are weak, as often occurs in the Bank’s client countries. Such research has also found that alternative instruments for environmental policy (notably economic instruments) are more effective and economically efficient.¹⁸⁵ This means that environmentally sustainable poverty reduction may be more effective if it relies on strategies other than enforcement of command and control regulations.

Furthermore, regulatory frameworks from some client countries and OECD countries demonstrate that policy instruments such as pollution charges, marketable permits, and other economic instruments; technology, effluent, or environmental standards; engineering codes; and information disclosure have shown better environmental outcomes than command and control instruments such as environmental management plans generated by regulated developers. The examples in Boxes 15 and 16 illustrate the importance of different environmental policy instruments in promoting environmentally and socially sustainable approaches in borrower countries. Alternative environmental policy instruments that are already institutionalized and working are a powerful asset in achieving sustainability.

Box 15: Senegal – Alternative Instruments for Environmental Policy

The Senegal Country Environmental Analysis (2008) analyzed different instruments for environmental policy, including: (1) environmental impact assessment, (2) direct regulation by Government or “command-and-control” measures; (3) economic- and market-based instruments; (4) public disclosure; and (5) legal actions. According to the CEA, economic instruments (such as pollution charges and marketable permits) are more efficient at tackling priority environmental problems, but command and control instruments have been found easier to design and implement and thus more effective for environmental management.

¹⁸³ Strand and Toman, 2010: 1.

¹⁸⁴ Lintner. 2011:2-3.

¹⁸⁵ Blackman and Harrington, 1999; Goulder and Parry, 2008; Ortolano, 1997; Portney and Stavins, 2000; Stavins, 1999; Bernstein, 1995; World Bank, 2007e.

Box 16: Peru – Environmental Management Tools to Complement the EIA

The CEA found that by 2007, the EIA was Peru’s main tool for environmental planning. However, its effectiveness was undermined by the lack of a uniform perspective among government authorities regarding its objectives and usefulness. Specifically, there existed an ambiguity among government authorities as to whether the purpose of the EIA is environmental planning or environmental management. This ambiguity led to a situation in which neither environmental planning nor environmental management was satisfactory. As a result, environmental planning and management problems persisted. To make the EIA an effective planning tool, the CEA recommended strengthening screening and scoping procedures and improving mechanisms for allowing representative participation by the public, including indigenous communities. The CEA also suggested that the government reform the EIA system recognizing its limitations, particularly where market and policy failures are linked to environmental problems (World Bank 2007e). By 2009, The Government of Peru had enacted the National System for Environmental Impact Assessment. The EIA regulation requires that project proponents identify aspects related to vulnerability and hazards of anthropogenic and natural origin associated with the project’s area of influence (World Bank 2010). Among the various instruments of environmental policy identified for Peru, the CEA identified economic instruments as the most effective and efficient for tackling Peru’s priority environmental problems.

Source: World Bank, 2007.

Interviewees also indicated that command-and-control requirements, such as those included in environmental management plans, are being asked to do much more than they were intended to do when originally developed. Developing the capacity to employ command-and-control regulations is, of course, essential (for instance, to control privatized water utilities), but progress in environmental management sometimes involves voluntary and incremental action. Hygiene education and promotion, the marketing of affordable technologies, and development of urban service planning and management capacity can be more effective in achieving results than poorly designed or rigid enforcement of command-and-control strategies.

The design and implementation of instruments for environmental policy apart from EA could also be pursued with a more risk-based and differentiated approach based on country or borrower capacity. A risk-based and differentiated approach would recognize the different and wide-ranging circumstances of today’s client countries. A risk-based approach would mean relying on the Bank’s environmental policies in certain cases, such as for projects involving high risks in countries lacking environmental regulatory frameworks. It would also mean taking calculated risks in giving greater flexibility to certain borrowers for employing their own systems with demonstrated effectiveness in achieving environmental outcomes. It is acknowledged, however, that there is need for further discussion to determine risk thresholds and criteria for determining how such decisions should be made (see Boxes 17 and 18).

Box 17: EU Accession Countries Systems Not Structured along Bank Requirements, but Effective

In some countries, such as EU accession countries, the Environmental Assessment process, although highly prescriptive and rigorous, is structured in a very different way than the World Bank Operational Policy on Environmental Assessment (per OP 4.01/4.00). In such cases, it relies to a greater extent than does the Bank on physical plans, location and construction permits, with these fulfilling many of the functions that would be conducted in the Bank’s Environmental Assessment-Environmental Management Plan process. To determine equivalence, there is a need for the Bank to be flexible and look for equivalence of objectives, functions and outcomes, rather than focusing narrowly on processes and outputs.

Source: Text from VPCS, 2009. P8.

Box 18: China – Engineering Codes as an Effective System for Mitigating Negative Environmental Impacts for Highways

Highway construction in China yields outstanding results on the ground in terms of mitigating environmental impacts. The success of this is not directly related to the EIA system, but to a complete set of engineering codes that are mandatory for highway planners, designers, and contractors to follow. These codes specify erosion control and water conservation programs in roads, landscape and greening requirements, environmental management of construction activities, and environmental supervision and monitoring requirements. Perhaps even more importantly, the codes specify the need to include all of the mitigation measures in the budget of the highway. So, practically speaking, an EIA only really addresses a few additional issues like noise and air pollution, since the codes are extremely comprehensive. Accepting these kinds of engineering codes could simplify and reduce, without sacrificing quality, the need for more detailed EIAs and EMPs in road construction in China.

Source: Quintero and Posas, 2010.

7.4 Moving towards Environmental Sustainability

Bank staff interviewed for this report and several evaluations on safeguards advocate a move from “mitigation” and toward “sustainability.” What this entails is not always clear. The term sustainability was popularized by the report produced by the World Commission on Environment and Development. The Commission defined sustainability in terms of development that “meets the needs of the present without sacrificing the ability of future generations to meet their own needs.”¹⁸⁶ Notwithstanding the many dozens of efforts at coming up with more precise definitions of sustainable development, there is no widely agreed upon definition. As a practical matter, sustainability is often defined in terms of orienting human activities in such a manner that they can continue indefinitely.¹⁸⁷ The idea was further refined by Robert Solow, a Nobel Laureate in Economics, in his essay, “An Almost Practical Step toward Sustainability” (1992). Solow defines sustainability as the requirement that the next generation must be left with “whatever it takes to achieve a standard of living at least as good as our own and to look after their next generation similarly.”¹⁸⁸ In short, sustainable development is development that does not draw down total stocks of human capital: it does not impoverish future generations in order to enrich the present generation, or impoverish one set of people in order to enrich another set.

In a 2008 evaluation of the Bank Group’s performance on safeguards and sustainability from 1995 to 2010, the IEG reported that it had:

[I]dentified several crucial constraints that need to be addressed, perhaps most importantly insufficient government commitment to environmental goals and weak institutional capacity to deal with them. But constraints within the Bank Group, including *insufficient attention to longer term sustainable development*, must be reduced as well.¹⁸⁹

In the context of discussions within the WBG, sustainability may mean the creation of institutions and practices that will endure well beyond the formal project cycle. During appraisal, Bank projects are often evaluated on their “sustainability” in the sense of whether the government will continue and extend the project’s activities even after World Bank support ends. Following this general approach, an “environmental sustainability” model must consider not just whether the short-term impacts that might arise from the Bank-funded activities have been mitigated, but whether: (1) these Bank-funded activities can continue to operate without environmental harm even after the project cycle ends; and (2) whether those Bank-funded projects can advance the overall goal of orienting Bank activities along an environmentally positive axis. As discussed in Chapter 2, Bank-funded operations have resulted in reforms to institutionalize approaches to the mitigation of negative impacts (Box 19).

Box 19: India – Haryana Power Sector Improvement Project

The Environment & Social Policy Procedures developed under the Haryana Power Sector Improvement Project delineate key principles aimed at mitigating negative environmental impacts in operations. These key principles include avoiding carrying out operations in environmentally sensitive areas such as forests and parks and considering the environmental implications of location and terrain. These procedures have been adopted by the implementing agency, the Haryana Vidyut Prasaran Nigam Ltd., for application across all operations. Systematic capacity building and training programs have been initiated, also covering the distribution companies.

Source: Excerpt provided by Sonia Chand Sandhu.

¹⁸⁶ World Commission on Environment and Development, 1987: 43

¹⁸⁷ Pearce, 1993: 10

¹⁸⁸ For more on the essay by Solow, see the note by Amartya Sen at

<http://www.institut.veolia.org/en/documents/CDB0Mg3X1p660TGJErhq.aspx>, accessed on August 28, 2010.

¹⁸⁹ IEG, 2008: xv. Emphasis not in original

Mitigation of negative impacts should continue to be a pillar of the Bank's safeguards framework. Other elements that should be institutionalized include enhancing positive environmental impacts in projects and strengthening the environmental management capacity of Bank clients. While there is some mention of them in various World Bank documents, no clear guidelines and frameworks exist for enhancing positive impacts and building client capacity as they do for the goal of mitigating negative impacts. These goals are not seen within the Bank as being as central to the safeguards system as mitigating negative impacts.

7.5 Incorporating Positive Environmental Impacts in Projects

Some World Bank projects have the enhancement of positive environmental impacts as their central theme. Examples include projects that center on biodiversity conservation, greenhouse gas mitigation, or reduction of air and water pollution. As described in Chapter 2, evidence suggests that the Bank's environmental practices have taken advantage of safeguards policies to incorporate positive environmental outcomes as goals into projects. The "beyond safeguard compliance" examples in this report demonstrate that the Bank's safeguards policies provide an entry point for environmental specialists to promote the inclusion of components that go beyond the strict compliance of the safeguard policies and lead to positive environmental outcomes in projects (Boxes 20 and 21).

Box 20 – Colombia: Santa Fe I Water and Sewerage Loan

As part of the safeguards support to Bogotá, Colombia, the Bank helped the Government to include an environmental component aimed at rehabilitating over 600 hectares of deteriorated wetlands that now house endangered species, particularly several bird species. The environmental safeguards support helped to mobilize resources to carry out habitat restoration projects, endangered species conservation action plans, environmental education and awareness programs, identification of non-catalogued sensitive areas, establishment of new linear parks and strengthening of existing ones, and other initiatives. The project financed over 47 km of linear parks, including bicycle paths and landscaping, along the drainage canals, which improved living conditions and provided recreational areas to the urban poor. These linear parks were not required by the safeguard policies. The area around the water supply storage tank for one of Bogotá's poorest neighborhoods was turned into an urban park and amphitheater that is being managed by the community. This "beyond safeguard compliance" example demonstrates that the Bank's safeguards policies provide an entry point to promote the inclusion of components that go beyond the strict compliance of the safeguard policies and have provide a net positive outcome to natural habitats and communities.

Source: World Bank 2005.

Interviewees indicated that currently there are no systematic protocols or sufficient formal staff recognition for the role of enhancing positive environmental impacts at the Bank. However, selected projects have been conducting some activities meant to improve positive environmental impacts. The intent in this regard is to seek cost-effective synergies for increasing sustainability by promoting the systematic integration of environmental considerations into projects.

Box 21: Pakistan: Sindh Education Sector Reform Program

The objective of this program is to increase school participation, reduce gender and rural-urban disparities, increase progression from primary to secondary school, and improve the measurement of student learning in Pakistan's Sindh Province. During the course of project preparation, a number of environmentally-related inadequacies in Sindh schools came to light, including health concerns associated with lack of adequate clean drinking water facilities; inadequate sanitation facilities; poor sunlight exposure in classrooms; groundwater contamination; and the risk of natural disasters as a result of the school's location and structural design. As a result of the environmental safeguards work, the project incorporated environmental goals such as: seismic resistant structural designs for schools, toilets designed to meet girls' needs, energy-efficient architectural designs, design typologies for schools that reduce vulnerability to floods and other natural disasters, and cost-effective interventions to remove arsenic and pathogens from water storage facilities.

Source: World Bank 2009a.

The Bank's safeguard work can also enhance its emulation of the IFC's program to include energy and water efficiency in projects and to provide formal staff incentives for this type of work (Box 22).

Institutionalizing the incorporation of integrated energy and water resources planning into projects might be needed to strengthen the skills mix of firms and safeguard specialists as well as project implementation agencies.

Box 22: Jordan – Reducing Energy and Water Usage

The IFC is working with the leading tourism company in Jordan to reduce energy and water use. The \$2.5 million project targets installation of solar panels for water heating, water usage reduction measures, bulk Liquefied Petroleum Gas (LPG) conversions from oil, and energy efficiency improvements (air conditioning efficiency, lighting upgrades, and enhanced energy monitoring and controls.) The IFC provided a \$1.8 million CP loan for the project under the Cleaner Production Lending Pilot. The expected payback is about 2.5 years after implementation of 0.5 years. The project is expected to reduce energy and water costs by 11 percent; reduce emissions by approximately 3,700 tons CO₂ p.a.; and reduce water usage by 46,000 m³ p.a.

7.6 Strengthening Client Capacity

In general terms, client capacity building consists of helping agencies that implement projects and policies, as well as NGOs, to strengthen their capacity for environmental management, including identifying key environmental issues, setting environmental priorities, designing and implementing environmental interventions, conducting environmental monitoring, evaluating studies, and enforcing environmental requirements.¹⁹⁰

A key objective of the 2001 Environment Strategy was to help client countries introduce and implement their own safeguards in order to manage their environmental resources sustainably. The 2001 Environment Strategy also sought to direct more attention to clients' capacities for good environmental management, including improving their institutional capacities to implement and operate environmental schemes. To this end, it emphasized the need to strengthen capacity development at the national and sub-national level. The 2001 Strategy noted that:

[the Bank] needs to search for ways of assessing and helping develop in-country capacity to adopt and internalize the principles of sustainable development, and create incentives and rewards for good performance by delegating responsibilities to borrowers with demonstrated capacity to manage the environmental aspects in their own programs.¹⁹¹

Many Bank projects necessarily include some client capacity strengthening, since even conducting an environmental assessment is initially beyond the capacity of many implementing agencies (Box 23). However, the Bank's emphasis on client capacity building has room for improvement, as client capacity building is currently carried out on an ad-hoc basis. Building environmental management capacity and institutional strengthening is contingent upon active and upstream client engagement on environmental issues, investments in client capacity, and renewal of staff skills.

¹⁹⁰ Margulis and Vetleseter, 1999.

¹⁹¹ World Bank 2001 Environment Strategy: xxv.

Box 23: Panama – Building Environmental Management Capacity at the Ministry of Public Works

With the help of the Inter-American Development Bank and the World Bank, the Ministry of Public Works of Panama implemented one of the most successful programs in institutional strengthening in the transport sector at the end of the 1990s. In 1996, the Ministry designed and adopted a policy of environmental sustainability that incorporated social and environmental considerations in a comprehensive and unified manner, entitled the “Environmental Policy and Natural Resource Management”. This policy was established by a Ministerial Resolution.

The Ministry also established a strategy to strengthen its environmental management together with an organizational restructuring centered on an Environmental Section with staff highly qualified in engineering and environmental sciences. A multidisciplinary team was created with 7 highly qualified specialists, including civil engineers, agronomists, biologists and geographers, whose principal duties relate to the mitigation of negative environmental impacts and enhancement of the positive effects of road projects. A key role of the Environmental Section is to support the National Environmental Authority in the sustainable environmental management of transport projects. The strategy identified two objectives: (a) to obtain and maintain leadership in the rational use and protection of national natural resources, such as conservation of the natural environment; and (b) to minimize negative impacts and maximize positive impacts of road projects on the environment and natural resources
Source: Zambrano, 2006.

The IFC’s Performance Standards incorporate client capacity building as part of their essential design. Most IFC projects entail assessment and, if necessary, strengthening of the environmental management systems of their development partners.¹⁹² These systems provide a foundation for good environmental management that has the potential both to outlast the project itself, and to affect non-IFC-financed activities by the development partner.

7.7 Conclusion

Considerations for shaping a strengthened sustainable safeguards framework at the Bank include: (1) whether the Bank will continue with a safeguards policy framework focused on prescriptive policies that emphasize procedural compliance or move toward substantive compliance and environmental sustainability principles; (2) whether the Bank’s safeguard framework will adopt more efficient and effective environmental policy instruments; and (3) whether the Bank’s safeguard policies will, in addition to the mitigation of negative impacts, do a better job of incorporating other sustainability components into the safeguards framework, such as the enhancement of positive environmental effects and the strengthening of client capacity to carry out environmentally sustainable development in the absence of Bank support.

This paper recommends a move toward substantive compliance and environmental sustainability principles for the safeguards framework. According to the 2010 IEG evaluation, re-evaluating the Bank’s compliance-based approach is recommended as it “is becoming less effective as [the Bank’s] portfolio moves beyond traditional investment projects (which now constitute less than half of new lending across the WBG).”¹⁹³ Moreover, several evaluations have pointed out that relative to project preparation and appraisal, safeguards supervision is in need of improvement. A substantive compliance system, such as the one reflected in the IFC’s Performance Standards, places greater emphasis on good project supervision. In this approach, emphasis is placed on the creation, or strengthening, of systems within the implementing organization that will allow it to carry out supervision functions aimed at meeting outcome targets, defined by the measurable environmental indicators in loan covenants. What is important is the ability to identify cases where implementing organizations are not meeting target outcomes and to be able to exert pressure, through the loan covenants, to improve performance.¹⁹⁴

¹⁹² IFC, 2007

¹⁹³ IEG, 2010: ix.

¹⁹⁴ IEG, 2010: 17

This report recommends promulgating a broader understanding of the applicability of environment policy instruments (such as economic instruments or occupational health, environment and safety standards) to produce better environmental outcomes. Countries with highly developed environmental regulations, in particular, may be better suited to use their own environmental management systems, where these systems produce similar outcomes to the safeguard policy requirements.

Evidence suggests that Bank-funded activities can continue to operate without environmental harm even after the project cycle ends. Moreover, in some instances, the Bank's safeguard policies have contributed to broader project development outcomes, which reach beyond mitigation of potential harm from project activities to build environmental management capacity in implementing agencies of Bank-supported investment projects, as shown in previous examples. However, such good practices have been developed on an ad-hoc basis and are contingent upon active and upstream client engagement on environmental issues, investments in client capacity, and renewal of staff skills.

The IFC's Performance Standards incorporate client capacity building as an integral part of a project. IFC projects typically entail some assessment and strengthening of the environmental management systems of their development partners.¹⁹⁵ These systems can provide a foundation for good environmental management that has the potential of not only outlasting the project itself, but also affecting non-IFC-financed activities by the development partner.

Currently there is little to no formal staff recognition for the role of enhancing positive environmental impacts at the Bank. The intent in this regard is to seek cost-effective synergies for increasing sustainability by integrating environmental considerations into projects that are not centered on environment per se. Any revision of the Bank's safeguard policies should consider how to incorporate formal staff incentives for this type of work.

¹⁹⁵ IEG, 2010

8. Conclusion and Recommendations

8.1 Introduction

The World Bank Management has committed to undertake a two-year global review of good practices in order to strengthen its safeguards framework. The Bank's Management Response to the IEG's 2010 evaluation of the Bank's safeguard policies recognizes the importance of undertaking a comprehensive review and dialogue engagement with relevant stakeholders to discuss possible approaches to increase the effectiveness of the Bank's safeguards framework so that it can reflect evolving good practices and respond to changing lending profiles. This report identifies options for enhancing safeguards implementation and sustainability in order to reflect evolving good practices and respond to changing lending profiles.

This chapter summarizes lessons learned from the examination of the safeguards framework, including experiences with safeguards support and implementation, safeguards training, project categorization, and the tracking and reporting of safeguards-related work, and identifies options for increasing the sustainability of environmental safeguards.

8.2 Lessons Learned from the Examination of Safeguards

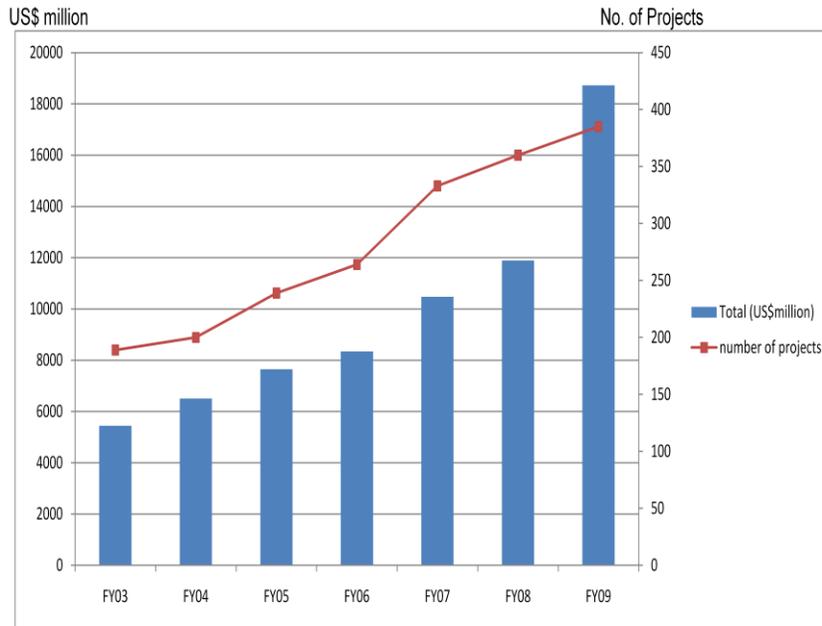
8.2.1 Enhancing Environmental Safeguards Specialists' Staffing and Skill Mix

Recent evaluations of the Bank's safeguards policy implementation reveal that shortages in environmental safeguards specialists and inadequate skills mix, among other factors, are affecting the quality of safeguards implementation.¹⁹⁶ Thus, an augmentation of staffing for safeguards-related work and enhancement of staff training to better align the skills mix with Bank needs are recommended for improving safeguards implementation. The following factors explain the reasons for deficiencies in staffing levels and skills mix: (1) sharp increasing volumes of Bank lending for infrastructure without a corresponding increase in environmental safeguards specialists; and (2) the lack of attractiveness of safeguards work as a career path at the Bank.

Total Bank lending increased sharply starting in fiscal 2008 and the increases are continuing. For fiscal 2009, commitments by IBRD rose 144% compared to the previous fiscal year. In addition, total lending increased substantially in fiscal 2010. These increases in total lending have been accompanied by similarly sharp jumps in lending for infrastructure projects, as shown in Figure 1 (shown again below). Lending for infrastructure started to rise sharply after fiscal 2007, and those spending increases have been accompanied by a corresponding rise in the total number of infrastructure projects.

¹⁹⁶ IEG, 2010; Green, 2008

Figure 1: World Bank Infrastructure Lending, FY03-FY09



Source: Business Warehouse (including IBRD/IDA, GEF, Special Financing Guarantees, carbon off set, and Recipient Executed activities)

Source: Business Warehouse and Elena Correa, 2010

Notwithstanding the Bank’s 350 percent increase in lending between 2000 and 2010, the number of Bank staff mapped to safeguards-related areas barely increased over this period; this occurred even as the number of staff mapped to infrastructure areas increased by 30 percent. Regional Safeguards Advisors and safeguards specialists interviewed in the course of this analytic work emphasized the shortage of staff dedicated to safeguards work, as well as deficiencies in the skills mix. Interviewees indicated that typical numbers for safeguards specialist person-weeks allocated to category A projects (during both appraisal and supervision) showed discrepancies between available staffing levels and the number of person-weeks needed. In some regions, the number of safeguards specialists has even dropped by more than half since 2000

Staff members interviewed for this paper underscored that safeguards experts were generally selected on the basis of “availability.” When asked to clarify this point, interviewees explained that, due to the “perpetual shortage” of environmental specialists, they drew on specialists in environmental units primarily for high-risk projects. If no environmental specialists were available, they would draw supplemental staff from a roster of consultants who would be mentored or backed up by a Bank staff member while performing safeguards tasks. Interviewees noted the absence of a structured approach for selecting relevant safeguards specialists (either Bank staff or consultants) when shortages existed in a region. As one interviewee put it, staff selection was done on an “ad hoc” basis.

Problems caused by the undersupply of environmental safeguards specialists are compounded by deficiencies in the mix of skills possessed by safeguards specialists. For example, the Bank has few specialists doing safeguards work in biodiversity or pest management, and it has no safeguards specialists with expertise in environmental risk management, noise pollution, environmental flows, risk assessment, environmental health, and occupational health and safety. A staff member interviewed for this report described the limited skills mix encountered in his work, pointing out that only one or two of the safeguards experts available to him had strong technical capabilities, whereas others had what he characterized as a

more “generalist” background. Other respondents reported that there is a lack of skills in innovation, technology, and sub-specialty areas such as forest issues.

The unattractiveness of safeguards work as a career path at the Bank is another factor explaining deficiencies in environmental safeguards specialists’ staffing levels and skills mix. One respondent referred to a fundamental asymmetry in safeguards work: as long as “things go well,” there is little recognition for the safeguards specialist, but if the project comes under public scrutiny, the safeguards specialist is held accountable. These interview responses support assertions by independent analysts who argued that under-resourced environmental and social specialists have little or no role on project supervision teams of category B or C projects.¹⁹⁷ Because safeguards operational support is often not seen as a viable career path within the Bank, the majority of the operational support in some regions is provided by junior staff members. These junior staff members typically have few (if any) years of experience in environmental engineering or environmental science. Moreover, in an effort to find a career path that has more promising opportunities for promotion, many junior environmental safeguards specialists are refocusing their work programs away from safeguards and toward environmental operations, particularly analytic work and investment loans.

The above-mentioned explanations for deficiencies in environmental safeguards specialists’ staffing and skills mix can be further elucidated by considering how existing organizational arrangements lead to low levels of staffing for safeguards during project supervision. There exist strong incentives for high-quality performance during the project appraisal stage. The QC&CR responsibilities and authorities of the RSAs and QACU end with project approval. From that point onwards, ensuring safeguards compliance is the responsibility of project TTLs and their sector managers. Various evaluations noted that in comparison to safeguards performance during project appraisal, safeguards supervision was in need of improvement. The IEG attributed poor supervision to the delegation of monitoring responsibilities to sectoral units, which do not have incentives to supervise safeguards diligently, especially given the budget pressures faced by TTLs on projects.

With regard to the training and development of environmental safeguards specialists, staff interviewed found that an issue arises when the specialists of environmental units in the regions—which know best the training needs of their region—do not have their specific needs reflected in the design of the training programs. Environmental units do not have their own budgets for safeguards training; the only safeguard funds available to the regions are funds allocated for carrying out safeguards support work on particular projects.

The issue can be further explored by examining the *incentives* faced by different units. If safeguards compliance is weak, then the safeguards specialists within environmental units and the TTLs responsible for projects are generally held accountable. However, the managers of environment units, whose staffs are accountable for safeguards performance, have no available resources for activities to improve environmental safeguards specialists’ performance.

This report recommends strengthening the environmental safeguards career track to help elevate the profile of safeguards specialists and provide opportunities for career advancement in the course of doing safeguards work. Elements of the proposed strengthened career track include acknowledging the specialization of staff engaged in environmental safeguards-related work within the Bank and providing the possibility of career progression from a junior level to a high level. Improving incentives for high quality safeguards work should also be done through changes to the Overall Performance Evaluations process, such as by including safeguards related components into the protocols for performance evaluations of TTLs, sector managers, and environmental safeguards specialists. This can be easily done by expanding

¹⁹⁷ Duke and Aycrigg, 2000.

the list of *feedback providers* during a staff member's OPE to include Bank colleagues who are in a position to gauge the quality of safeguards-related work for the staff member being evaluated. In addition, the OPE *peer comparisons* made in evaluation of environmental safeguards specialists should be altered so that instead of comparing safeguards specialists with TTLs, safeguards specialists should only be compared (for purposes of evaluating their safeguards-related work) with other safeguards specialists. The inclusion of safeguards-related criteria and feedback providers in OPEs will: (1) provide staff with feedback on their performance in supporting safeguards implementation; (2) influence personnel decisions, such as salary raises and promotions; and (3) help individual regions identify their training and staff development needs.

This report recommends an organizational restructuring to enhance the Bank's capabilities for conducting effective safeguards work. The proposed organizational arrangements will help enhance the role of key units within the Bank involved in aspects of safeguards work. The top-level staffs within the Bank's regional environment units are best positioned to assess their own needs for staff strengthening. Given additional resources, these regional environmental units could play a key role in the design of staff hiring and training programs. The Environment Anchor could perform a coordination function by taking on leading stakeholder consultations on global review of sustainability and safeguards; carrying out safeguards-related analytic work; engaging in upstream safeguards policy dialogues; organizing safeguards training activities for the Bank; and tracking the costs and benefits of safeguards work.

In parallel, QACU and the RSAs would continue to perform high quality QC&CR activities related to safeguards, not just during project preparation, but during supervision. QACU and the RSAs are well positioned to extend their monitoring responsibilities into the project implementation phase. This would require some augmentation of staff capacity. Under the proposed configuration, QACU and the RSAs would continue to center their work primarily on quality control and compliance review, including responsibilities for environmental auditing.

8.2.2 Enhanced Safeguards Training and Accreditation Program

In interviews conducted for this report, safeguards specialists indicated the following: (1) the Bank's policy of hiring young "generalists" as safeguards specialists makes it difficult to address client priorities, especially at a time when increasing technical sophistication is required; (2) the current version of World Bank safeguards training is introductory in nature, with little emphasis on the technical aspects of the expertise demanded by safeguards work; and (3) knowledge of safeguards-related issues is very uneven among both Bank staff and Bank clients. These findings were consistent with those of the 2010 IEG evaluation on safeguards.¹⁹⁸

This report recommends developing a comprehensive training program that will enhance the safeguards skill mix and increase the effectiveness of safeguards support at the Bank. In order to effectively spread knowledge of environmental management techniques and increase the efficiency and effectiveness of safeguards support at the Bank, any expansion of safeguards-related training should have the following characteristics: (1) a basic level of safeguards training should be required for *all* non-administrative Bank staff members; (2) there should be more advanced levels of training to meet the needs of particular categories of staff such as safeguards specialists and sector managers; (3) training should be easily accessible and inexpensively delivered; (4) training activities should be designed and implemented by Bank staff and consultants with extensive experience in implementing the safeguards policies; and (5) training for safeguards specialists in particular should move beyond the rudiments of procedural compliance and toward a more in-depth training that provides knowledge of relevant scientific and technical matters as well as good practice.

¹⁹⁸ IEG 2010: 36

A roadmap identifying needs for in-depth training to expand the skills mix within regions should be included in Environmental Safeguards Business Plans developed by the regional environmental units. These assessments will describe current needs for staff strengthening and the sources of funds to send safeguards specialists to relevant courses, where they can gain internationally-recognized training in the applicable areas. Environmental Safeguards Business Plans will also contain proposals for other staff development activities, such as websites, retreats, exchange notes, and analytic work on best practices. More advanced levels of supplementary training would be used to meet the needs of the following particular categories of staff: TTLs and Sector Managers; Clients and their Environmental Consultants; and Environment Specialists and Consultants Supplementing Environmental Safeguards Specialists. To enhance the skills mix of safeguards support staff, a more ambitious training program would be established, and the blueprint for that program would be developed within the context of the regional Environmental Safeguards Business Plans. The Environment Anchor is well-positioned to serve as the clearinghouse for information on available training programs and the regional environmental units would be able to identify key programs by coordinating with the Environment Anchor.

8.2.3 Project Categorization Based on Objective Criteria

The Bank classifies projects in categories depending on the significance of their potential environmental impacts rather than on their environmental risks. Overall, the current safeguards system appears to encourage TTLs and RSAs to interpret ambiguities in a stricter manner than originally intended, often resulting in mis-categorization of projects and therefore misallocation of resources. Most commonly, Category C projects are mis-categorized as Category B projects.¹⁹⁹ Incorrect categorization and an overly cautious triggering of safeguards policies results in increased project preparation and supervision costs, as well as increased strains on the safeguards system.

This report recommends adopting a categorization methodology that reduces reliance on procedures requiring subjective judgments. In the last several years, many MDBs have improved their environmental categorization practices. For example, some MDBs have moved to a checklist format that reduces the scope for subjectivity in assignment of categories. Others have used expert systems, software packages based on artificial intelligence technology that contain embedded best-practice rules for categorization. As another example, the EBRD and the EIB have recently adopted a categorization system based upon minimization of risk rather than on minimization of impacts. These approaches represent an evolution of categorization methodologies to reduce reliance on procedures requiring subjective (and often inconsistent) judgments on project categorization. This report recommends the Bank to study the experiences of other MDBs with the intention of identifying, over the next two years, the most suitable option for improving the accuracy and consistency of its project environmental categorization.

8.2.4 Tracking Costs and Benefits of Safeguards Work

There are formal provisions in the World Bank's Operation Policy Manual 4.01 requiring the systematic measuring, reporting, and evaluation of safeguards, but given budget and time constraints, TTLs and others in the Bank have few incentives to do such systematic monitoring.

Factors contributing to the shortfalls in data collection include: a lack of detailed guidance and monitoring operation manuals for data collection; a strong focus on indicators of procedural compliance rather than on indicators of actual outcomes; and difficulty in developing a homogenous set of performance indicators.

The collection of data is deficient for both the costs and benefits of safeguards implementation. There is some data collection regarding the cost of safeguards implementation to World Bank staff, but it generally

¹⁹⁹ IEG, 2010.

underestimates the total cost. There is no systematic data collection for the cost to clients, and this is particularly important since the great majority of safeguards implementation costs are incurred by clients. Whereas the Bank typically pays tens of thousands of dollars to implement safeguards, clients pay many millions of dollars.

This report recommends the creation of a systematic program for measuring, reporting, and evaluating the effects of safeguards implementation. To address the absence of outcome indicators to measure the performance of environmental safeguards, an option can be found in the WBG's Environmental, Health, and Safety Guidelines. They include relevant performance indicators and levels and thus provide a template for setting out monitoring requirements. In addition, the proposed Lead Environmental Safeguards Specialist within each of the regions can be tasked with compiling and analyzing complete World Bank safeguards implementation cost data for all projects within their regions each year.

The Bank is well positioned to demonstrate leadership in the field of environmental assessment by conducting analytic work to determine the feasibility of using existing cost and benefit valuation techniques to estimate the monetary net benefits of safeguards implementation. While the problems are straightforward and surmountable on the cost estimation side, there will be challenges in evaluating the benefits of safeguards implementation in monetary terms. That said, however, analytic work based upon ex ante benefit-cost studies of a sample of existing projects would at least demonstrate the possibilities for using benefit-cost analysis to properly assess the net monetary benefits of implementing the safeguards requirements.

8.3 Strengthening the Sustainability of Environmental Safeguards

The World Bank's adoption of environmental safeguards policies in the 1990s was the impetus for many MDBs to adopt frameworks modeled on that of the World Bank. However, the World Bank has held firm in its reliance on environmental policies that focus on mitigating negative impacts, while other MDBs have moved beyond mitigating adverse environmental impacts, to embrace more holistic approaches in their safeguards framework that incorporate the broader goal of environmental sustainability.

This report recommends a move towards substantive compliance and environmental sustainability principles for the safeguards framework. The 2010 IEG evaluation recommends re-evaluating the Bank's compliance-based approach, as it "is becoming less effective as [the Bank's] portfolio moves beyond traditional investment projects (which now constitute less than half of new lending across the WBG)."²⁰⁰ Moreover, several evaluations have pointed out that relative to project preparation and appraisal, safeguards supervision is in need of improvement. A substantive compliance system, such as the one reflected in the IFC's Performance Standards, places greater emphasis on good project supervision. In this approach, emphasis is placed on the creation, or strengthening, of systems within the implementing organization that will allow it to carry out the supervision functions aimed at meeting outcome targets, defined by the measurable environmental indicators in loan covenants. What is important is the ability to identify cases where implementing organizations are not meeting target outcomes and to be able to exert pressure, through the loan covenants, to improve performance.²⁰¹

This report recommends disseminating knowledge of policy instruments, besides environment impact assessments, that are able to produce similar or better outcomes than the Bank's safeguard policy requirements. Safeguards policies aimed at mitigating negative environmental impacts rely mainly on environmental impact assessments. However, regulatory frameworks from client countries and OECD countries demonstrate that other policy instruments can produce similar or better outcomes than the Bank's safeguards policy requirements. The use of environmental policy instruments such as: pollution charges,

²⁰⁰ IEG, 2010: ix.

²⁰¹ IEG, 2010: 17.

marketable permits and other economic instruments; technology, effluent or environmental standards; engineering codes; and information disclosure have shown better environmental outcomes than environmental management plans. Alternative environmental policy instruments that are already institutionalized and working can be helpful in achieving sustainability.

The design and implementation of instruments for environmental policy can be pursued with a more risk-based and differentiated approach, based on country or borrower capacity. A risk-based and differentiated approach would recognize the different and wide-ranging circumstances of today's client countries. A risk-based approach would mean relying on the Bank's environmental policies in certain cases, such as for projects involving high risks in countries lacking environmental regulatory frameworks. It would also mean taking calculated risks in giving greater flexibility to certain borrowers for employing their own systems, where they have demonstrated effectiveness in achieving environmental outcomes. It is acknowledged, however, that there is need for further discussion to determine risk thresholds and criteria for determining how such decisions should be made.

In addition to the mitigation of negative impacts, this report recommends institutionalizing the enhancement of positive impacts and client capacity building measures into the safeguards framework. The main emphasis in the safeguards policy framework is on mitigating negative impacts. Bank staff interviewed for this analytic work and several evaluations on safeguards advocate a move from "mitigation" toward "sustainability." Evidence suggests that the Bank's environmental practice has taken advantage of safeguard policies to incorporate the enhancement of positive environmental impacts into the project framework and to strengthen clients' capacity for environmental management, even after the Bank project cycle has ended. However, such good practices have been developed on an ad-hoc basis and are contingent upon active and upstream client engagement on environmental issues, investments in client capacity, and renewal of staff skills in order to promote the sustainability of safeguards-related work.

Currently there is insufficient staff recognition for the role of enhancing positive environmental impacts at the Bank. Any revision of the Bank's safeguard policies should consider how to strengthen staff incentives for this type of work. The intent should be to seek cost-effective synergies for increasing sustainability by promoting the systematic integration of environmental considerations into projects.

8.4 Conclusion

This report, which was commissioned as part of the update of the 2001 World Bank Environmental Strategy,²⁰² evaluates the Bank's safeguards system, particularly in regard to its implementation. This work has been undertaken at a time when the World Bank Management has committed to undertake a two-year global review of good practices on safeguards and sustainability. The global review will follow a deliberative and consultative process with a diversity of shareholders and stakeholders that can form the basis for updating and consolidating the environmental and social safeguard policy framework.

This report identifies options for enhancing safeguards implementation and sustainability in order to reflect evolving good practices and respond to changing lending profiles. This report identifies incentives to enhance environmental safeguards specialists' staffing and skills mix; training programs to enhance the skill-set of environmental safeguards specialists; alternative categorization methodologies that reduce reliance on procedures requiring subjective judgments; and proposals for tracking the costs and benefits of safeguards-related work.

The World Bank's adoption of environmental safeguards policies in the 1990s was the impetus for many MDBs to adopt frameworks modeled on that of the World Bank. The Bank has continued its reliance on

²⁰² World Bank, 2009d.

environmental policies that focus on mitigating negative impacts, while other MDBs have moved beyond mitigating adverse environmental impacts to embrace more holistic approaches in their safeguards framework that incorporate the broader goal of environmental sustainability.

To enhance safeguards sustainability, this report recommends incorporating broader sustainability considerations, apart from the mitigation of negative impacts, into the safeguards framework. This includes incorporating the enhancement of positive environmental impacts into project design and taking measures to strengthen environmental management capacity of client countries. Since the Bank aspires to be a leader in the field of sustainable development, this report recommends that the end result of the global review of good practice consultations will be a proposal on how to move forward to amend the Bank's safeguards policy framework in order to attain social and environmental sustainability.

References

ADB (Asian Development Bank). Undated a. Operations Manual Bank Policies (BP). Available at: <http://www.adb.org/documents/manuals/operations/OMF01-4Mar2010.pdf> (accessed July 30, 2010).

ADB (Asian Development Bank). Undated b. "Rapid Environmental Assessment (REA) Checklist." Available at: http://www.adb.org/documents/guidelines/environmental_assessment/REA_Ports_Harbors.pdf (accessed August 6, 2010).

ADB (Asian Development Bank). 1996. "Economic Evaluation of Environmental Impacts: A Workbook." Asian Development Bank Manila.

ADB. 1997. "Guidelines for the Economic Analysis of Projects" Asian Development Bank Manila.

Batstone, R. and R. Jammi. 2003. "Review of Implementation of Safeguard Policies of World Bank Extractive Industries Projects." Background Paper. OED (Operations Evaluation Department). Washington, DC: World Bank.

Bernstein, J.D. 1995. *Alternative Approaches to Pollution Control and Waste Management: Regulatory and Economic Instruments*. Washington, DC: World Bank.

Biller, Dan. 1998. *Environmental Impact Assessment: The Brazilian Experience*. Brazil: Universidade Santa Úrsula.

Blackman, A. and W. Harrington. 1999. *The Use of Economic Incentives in Developing Countries: Lessons from International Experience with Industrial Air Pollution*. Discussion Papers dp-99-39, Resources For the Future.

Boisson de Chazournes, L. 2000. "Compliance with Operational Policies and Procedures: A Contextual Analysis." Unpublished Draft, World Bank Operations Evaluation Department. Washington, DC: World Bank.

Bowles, I. A. and C.F. Kormos 1999 "The American Campaign for Environmental Reforms at the World Bank." *The Fletcher Forum of World Affairs Journal* . Winter/Spring. 23 : 211
California Department of Transportation. 2010. "Chapter 30." In *Categorical Exclusion*. Available from <http://www.dot.ca.gov/ser/vol1/sec4/ch30ce/chap30ce.htm#classes> (accessed August 9, 2010).

Council on Environmental Quality (CEQ). 2007. *A Citizen's Guide to the NEPA*. Available from http://ceq.hss.doe.gov/nepa/Citizens_Guide_Dec07.pdf (accessed August 6, 2010).

Council on Environmental Quality. Undated "NEPA Regulations. 40 CFR 1508.4 - Categorical Exclusion. - Code of Federal Regulations - Title 40: Protection of Environment." Available at: <http://ceq.hss.doe.gov/Nepa/regs/ceq/1508.htm#1508.4> (accessed August 26, 2010).

Davis, R. and R. Hirji. eds. 2003. *Water Resources and Environment Technical Note Series*. Washington, DC: World Bank.

Davis, R. and R. Hirji. eds. 2004. *Environmental Flows: Concepts and Methods*. Water resources and Environment Technical Note C1. Washington, DC: World Bank.

Dixon, J. and S. Pagiola. 1998. "Economic Analysis and Environmental Assessment." Washington, DC: World Bank. Available at: <http://info.worldbank.org/etools/docs/library/37495/EAUpdateNo.23.pdf> (accessed August 25, 2010).

Duke, G., and M. Aycrigg. 2000. *Biodiversity and Environmental Assessment Toolkit*. Washington, DC: World Bank.

EBRD (European Bank for Reconstruction and Development). 2008. *Environmental and Social Policy*. Available at: <http://www.ebrd.com/downloads/research/policies/2008policy.pdf> (accessed August 2, 2010).

EIB (European Investment Bank). 2010. *Environmental and Social Practices Handbook*. Available at: http://www.eib.org/attachments/environmental_and_social_practices_handbook.pdf (accessed August, 9 2010).

Environmental Software and Services. Undated. "EIAxpert: Rule-Based Screening-level EIA." Available at: <http://www.ess.co.at/EIA/> (accessed August 9, 2010).

European Bank for Reconstruction and Development (EBRD). 2008. *Environmental and Social Policy*. Available at: <http://www.ebrd.com/downloads/research/policies/2008policy.pdf> (accessed August 2, 2010).

Evans, J. W. 2010. Biodiversity and Development in *Environment Matters: Banking on Biodiversity*. World Bank. Washington D.C.

Goodland, R., and J. R. Mercier. 1999. "The Evolution of Environmental Assessment in the World Bank: From Approval to Results." Environment Department Paper 67. Washington, DC: World Bank.

Goulder L. and I. Parry. 2008. "Instrument Choice in Environmental Policy." *Review of Environmental Economics and Policy* 2 (4). (2008) 2 (2): 152-174.

Green K, and Raphael A . 2001. *Third Environmental Assessment Review FY 96-00*. Washington, DC: World Bank. Available at: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2003/04/05/000094946_03032004010163/Rendered/PDF/multi0page.pdf (accessed September 25, 2010).

Green, K. 2008. *LCR Safeguards Business Practice Study*. Consultant Report. Washington, DC: World Bank.

Gutner, T. 2005. "World Bank Environmental Reform: Revisiting Lessons from Agency Theory." *International Organization* 59 (3): 773-783.

Hicks, Robert L., Parks, Bradley C., Roberts, J. Timmons, and Michael J. Tierney. 2008. *Greening Aid? Understanding the Environmental Impact of Development Assistance*. Oxford Scholarship Online. Available at: <http://www.oxfordscholarship.com.libproxy-wb.imf.org/oso/private/content/economicsfinance/9780199213948/p033.html> (accessed June 25, 2010).

Hirji, R. and R. Davis. 2009a. *Environmental Flows in Water Resources Policies, Plans and Projects: Findings and Recommendations*. Washington, DC: World Bank.

Hirji, R. and R. Davis. 2009b. *Strategic Environmental Assessment: Improving Water Resources Governance and Decision Making*. Environment Department. Washington, DC: World Bank.

Hironaka, A. 2002. "The Globalization of Environmental Protection: The Case of Environmental Impact Assessment." *International Journal of Comparative Sociology* 43 (1): 65-78.

Holder, J. 2006. *Environmental Assessment—The Regulation of Decision Making*. Oxford, UK, University Press. Oxford Scholarship Online. Available from: <http://dx.doi.org.libproxy-wb.imf.org/10.1093/acprof:oso/9780199207589.001.0001> (accessed August 6, 2010).

Huppi, M. 2011. IEG Comments on Draft Background Report Implementation of Environmental Policies. E-mail. January 6, 2011.

IEG. 2008. "Environmental Sustainability: An Evaluation of World Bank Group Support." Independent Evaluation Group Study Series. Washington, D.C.: World Bank. Accessed August 4, 2010 at: http://siteresources.worldbank.org/EXTENVIRONMENT/Resources/enviro_n_eval.pdf

IEG. 2010. *Safeguards and Sustainability in a Changing World: an Independent Evaluation of World Bank Group Experience*. Washington, DC: World Bank.

IFC. 2006a. "The International Finance Corporation's new environmental and social requirements: Non-attributable background note for the press". March 2006. Available at: [http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pr_BackgroundNoteES/\\$FILE/Background+Note+-+New+ES+Standards.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pr_BackgroundNoteES/$FILE/Background+Note+-+New+ES+Standards.pdf) (Accessed August 4, 2010).

IFC. 2006b. "International Finance Corporation's Performance Standards on Social and Environmental Sustainability". Available at: [http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_PerformanceStandards2006_full/\\$FILE/IFC+Performance+Standards.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_PerformanceStandards2006_full/$FILE/IFC+Performance+Standards.pdf) (Accessed August, 2010).

IFC. 2007. "International Finance Corporation's Guidance Notes: Performance Standards on Social and Environmental Sustainability." July 31, 2007. Available at: [http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_GuidanceNote2007_full/\\$FILE/2007+Updated+Guidance+Notes_full.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_GuidanceNote2007_full/$FILE/2007+Updated+Guidance+Notes_full.pdf) (Accessed August 4, 2010).

IFC. 2009a. *IFC Policy and Performance Standards on Social and Environmental Sustainability Review and Update Overview of Consultation and Engagement Process*. Washington, DC: World Bank.

IFC. 2009b. *IFC's Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information: Report on the First Three Years of Application*. Washington, DC. World Bank. Available at [http://www.ifc.org/ifcext/policyreview.nsf/AttachmentsByTitle/ReportFirstThreeYears/\\$FILE/IFC_PPSThreeYearApplication.pdf](http://www.ifc.org/ifcext/policyreview.nsf/AttachmentsByTitle/ReportFirstThreeYears/$FILE/IFC_PPSThreeYearApplication.pdf) (accessed November 11, 2010).

Infrastructure Network. 2006. *Infrastructure: Lessons From The Last Two Decades Of the World Bank Engagement*. Washington, DC: World Bank.

Dixon, J. A., R. A. Carpenter, L. A. Fallon, P. B. Sherman and S. Manipomoke. 1988. "Economic Analysis of the Environmental Impacts of Development Projects" *Earthscan*.

Jones & Stokes. 2003. "Determining "Significance" Under NEPA Recent Court Decisions Highlight the Importance of "Context" and "Intensity." *Environmental Update May 2003*. 3pp Available at <http://www.jonesandstokes.com>. (accessed August 2, 2010).

Keck, M. and K. Sikkink. 1998. *Activists Beyond Borders: Advocacy Networks in International Politics*. Ithaca: Cornell University Press.

Krchnak K., B. Richter, G. Thomas. 2009. *Integrating Environmental Flows into Hydropower Dam Planning, Design and Operations*. Water Working Note No. 22. Washington, DC: World Bank.

Lage, Filho Lauro. 2010. *Approaches for the Categorization of Development Projects Considering Potential Environmental and Social Impacts*. Environmental Department, Consultant Report. Washington, DC: World Bank.

LCR Safeguards Task Force. 2009, *Summary of Recommendations*. Unpublished document. Washington D.C. World Bank.

Ledec, George and Quintero, Juan 2003. *Good Dams and Bad Dams: Environmental Criteria for Site Selection of Hydroelectric Projects*. Latin America and the Caribbean Region Sustainable Development Working Paper No. 16. World Bank. Washington DC.

Liebenthal, A. 2002. *Promoting Environmental Sustainability in Development: An Evaluation of World Bank Performance*. World Bank Operations Evaluation Department. Washington, DC: World Bank.

Lintner, S. 2011. "Quality Assurance and Compliance Unit Comments on Draft Background Report Implementation of Environmental Policies." E-mail. February 2, 2011.

Lohani, B.N., J.W. Evans, R.R. Everitt, H. Ludwig, R.A. Carpenter, S. Liang Tu. 1997. *Environmental Impact Assessment for Developing Countries in Asia*. Manila: Asian Development bank. Available at http://www.adb.org/documents/books/environment_impact/env_impact.pdf

Margulis, S. 1996. "A Regulamentação Ambiental: Instrumentos e Implementação". Discussion Paper. N°437. Brazil: Instituto de Pesquisa Econômica Aplicada.

Margulis, S., and T. Vetleseter. 1999. *Environmental Capacity Building: A Review of the World Bank's Portfolio*. Environment Department Paper 68. Pollution Management Series. Washington, DC: World Bank.

Mead, R. 2006. *A Review of AI Techniques for Ecological Modeling*. Available from http://www.cs.montana.edu/~mead/papers/literature_review.pdf (accessed August 6, 2010).

MIGA. 2007. *Proposed MIGA Policy and Performance Standards on Social and Environmental Sustainability; and Proposed MIGA Policy on Disclosure of Information*. Washington, DC: World Bank.

NEPA. 1969. *The National Environmental Policy Act of 1969, 42 USC § 4332*. Available at: <http://ceq.hss.doe.gov/nepa/regs/nepa/nepaeqia.htm> (accessed August 2, 2010).

NEPA Regulations 1505.2. Record of decision in cases requiring environmental impact statements, available at <http://ceq.hss.doe.gov/nepa/regs/ceq/1505.htm#1505.2>. Accessed August 26, 2010.

NEPA Task Force. 2003. "The NEPA Task Force Report to the Council on Environmental Quality, Modernizing NEPA Implementation." Washington, DC: Council on Environmental Quality. Available at: <http://ceq.hss.doe.gov/ntf/report/totaldoc.html#cover> (accessed August 26, 2010).

Nielson, D. L. and M. J. Tierney. 2003. "Delegation to International Organizations: Agency Theory and World Bank Environment Reform." *International Organization* 57 (2): 241-276.

OED (Operations Evaluation Department). 1999. "Safeguard Policies: A Synthesis of Evaluative Materials." Muthkumara Mani and Andres Liebenthal. Background Paper. Washington, DC: World Bank

OED (Operations Evaluation Department). 2002. "Promoting Environmental Sustainability in Development. An Evaluation of the World Bank's Performance." Operations Evaluation Department. Washington, DC: World Bank.

Ortolano, L. 1997. *Environmental Regulation and Impact Assessment*. John Wiley & Sons.

Park, S. 2007. "Greening Up: The World Bank Group in Global Environmental Governance." Paper Presented at the Annual International Studies Association Conference, Chicago. Available at: <http://archive.allacademic.com/publication/search.php> (accessed June 30, 2010).

Park, Susan. 2008. "The World Bank: Owing Global Safeguard Policy Norms?" World Bank Doctoral and Post-Doctoral Workshop. Cape Town. Available at: <http://siteresources.worldbank.org/INTRAD/Resources/Park.pdf> (accessed June 29, 2010).

Pearce, David. 2004. *Blueprint 3: Measuring Sustainable Development*. London: Earthscan Publications Limited.

Portney, P. and R. Stavins. 2000. *Public Policies for Environmental Protection*. Washington: Resources for the Future.

Price Waterhouse Coopers. 2008. "A Practical Guide to Risk Management." *Risk-based categorization approach*, December.

Price Water Coopers. 2009a. *Seizing Opportunity Linking Risk and Performance*. Available from http://www.pwc.com/en_US/us/risk-performance/assets/pwc-risk-performance-2009.pdf (accessed August 9, 2010).

Price Water Coopers. 2009b. *How to Fortify your Supply Chain through Collaborative Risk Management*. Available at: http://www.pwc.com/en_US/us/aerospace-defense/assets/pwc-aerospace-scrm-012008.pdf (accessed August, 9 2010).

Rich, Bruce. 1995. *Mortgaging the Earth: The World Bank, Environmental Impoverishment and the Crisis of Development*. Beacon Press.

Selvam, P., S. Kapoor, P.Modak, and R. Gopalan. 1999. *India, Review of the Effectiveness of Environmental Assessments in World Bank-Assisted Projects. Fiscal 1990-1997*. South Asia Region Environment Sector Management Unit. Washington, DC: World Bank. Available at: http://www.wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&siteName=WDS&entityID=000094946_03010704154241 (accessed June 29, 2010).

Solow, R. 1992. "An Almost Practical Step towards Sustainability." Invited lecture on the occasion of the 40th anniversary of Resources for the Future. In W. E. Oates, ed. *The RFF Reader in Environmental and Resource Management*. Washington, DC: Resources for the Future, 1999. pp. 263-272.

Stavins, R. 1999. *Experience with Market Based Environment Policy Instruments in The handbook for Environmental Economics*. Amsterdam: North-Holland/Elsevier Science.

Strand, J. and M. Toman. 2010. "Quality Assurance and Compliance Unit Comments on Draft Background Report Implementation of Environmental Policies." E-mail. December 19, 2010.

Tlaiye, L. and Y. Awe. 2010. "Lessons from Environmental Mainstreaming: Towards Environmental Sustainability." Analytical Background paper. Environment Strategy. Washington, DC: World Bank.

Wade, Robert Hunter. 1997. "Greening the Bank: The Struggle over the Environment. 1970-1995." In *The World Bank: Its First Half Century*, edited by Devesh Kapur, John P. Lewis, and Richard Webb, vol. 2, 611-734. Washington, D.C.: Brookings Institution Press.

Weaver, C. and R. Leiteritz. 2005. "Our Poverty Is a World Full of Dreams: Reforming the World Bank." *Global Governance* (July, 2005).

Whitford, P. and K. Mathur. 2008. *The Effectiveness of World Bank Support for Community-Based and -Driven Development*. Safeguard Policy Review. IEG Background Paper. Washington DC: IEG.

Wirth, A. David. 1998. *Partnership Advocacy in World Bank Environmental Reform. In The Struggle for Accountability: The World Bank, NGOs, and Grassroots Movements*. Global Environmental Accord Series, edited by Jonathan A. and L. David Brown. Boston: MIT Press.

World Bank Group. 2007. *Environmental, Health, and Safety Guidelines*. Available from <http://www.ifc.org/ifcext/sustainability.nsf/Content/EHSGuidelines> (accessed August 28, 2010).

World Bank LCR. 2006. *Lessons from the Field. A Thematic Review of Safeguard Policy Implementation in Rural and Urban Water Supply and Sanitation, Community Driven Development, Biodiversity Conservation, Land Administration, Roads, and Health Sector Projects in Latin America and the Caribbean*. Unpublished Report. Washington, DC: World Bank.

World Bank- QACU (Quality Assurance and Compliance Unit). 2005. *Guidelines for Safeguards Supervision*. Washington, DC. World Bank

World Bank QACU (Quality Assurance and Compliance Unit). 2008. "Environmental and Social Safeguards Policies." Workshop on Physical Cultural Resources. Washington, DC: World Bank.

World Bank Quality Assurance Group. 2003. "Quality at Entry in FY02 (QEA5) A QAG Assessment." Available from: <http://siteresources.worldbank.org/QAG/Resources/QEA5FinalReport.pdf> (accessed August 30, 2010).

World Bank Quality Assurance Group. 2007. "Quality of Supervision in FY05-06 (QSA7) A QAG Assessment." Available from: <http://siteresources.worldbank.org/INTQAGNEW/Resources/QSA7SynthesisReportJune-07.pdf> (accessed August 30, 2010).

World Bank. Undated. *Safeguard Policies*. Available at: <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTSAFEPOL/0,,menuPK:584441~pagePK:64168427~piPK:64168435~theSitePK:584435,00.html> (accessed August 2, 2010).

World Bank. 2001. *Making Sustainable Commitments and Environment Strategy for the World Bank*. Washington, DC: World Bank.

World Bank. 2002. *The World Bank's Environment and Social Safeguards Policies*. Available at: <http://siteresources.worldbank.org/INTINVRES/214573-1115359971520/20480040/WBsEnvironmentalandSocialSafeguardPolicies.pdf> (accessed August 24, 2010).

World Bank. 2003. "Environmental Management Mechanisms in CDD and Other Decentralized Implementation Frameworks: A Review of the India Portfolio." (2 vols.). SAR. B. Rahill and S. Vaideeswaran. Washington, DC: World Bank.

World Bank. 2004. *Good Practice Notes for Development Policy Lending*. Washington, DC: World Bank.

World Bank. 2005a. "Delegation of Responsibility for Fiduciary and Safeguard Compliance." In *Investment Projects to Sector Managers—A Review of Progress*. Washington DC: World Bank.

World Bank. 2005b. *Sector Strategy Implementation Updated: Third Review*. Washington, DC: World Bank

World Bank. 2006. "Preparation and Implementation of an Environmental Management Plan." Draft. April 14, 2006. Accessed August 5th, 2010 at: <http://intresources.worldbank.org/INTSAFEPOL/Resources/PreparationandImplementationofEnvironmentManagementPlan.doc>

World Bank. 2007a. *A Guide to the World Bank*. Washington, DC: World Bank.

World Bank. 2007b. *Middle East and North Africa Region Desk and Field Review Analysis Portfolio Review of Safeguard Compliance*. Washington, DC: World Bank.

World Bank. 2007c. *Sector Strategy Implementation Update. Operations Policy and Country Services (OPCS)*. Washington, DC: World Bank.

World Bank. 2007d. *Procedures for Safeguards Review and Clearance in EAP*. Washington DC: World Bank.

World Bank. 2007e. *Environmental Sustainability a Key for Poverty Reduction in Peru*. Country Environmental Analysis. Washington, DC: World Bank.

World Bank. 2007f. *La Guajira Water and Sanitation Infrastructure and Service Management Project*. Project Appraisal Document. Washington, DC: World Bank.

World Bank. 2008. *Bhutan Country Environmental Safeguard Review*. Report 43785. South Asia Region. Washington, DC: World Bank.

World Bank. 2009a. *Sindh Education Sector Project: Project Appraisal Document*. Washington, DC: World Bank.

World Bank. 2009b. *The World Bank "Safeguard" Policies: An Overview*. Zagreb Safeguards Workshop (May 6-8, 2009) Zagreb. Available at <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/0,,contentMDK:22764078~pagePK:146736~piPK:146830~theSitePK:258599,00.html> (accessed August 30, 2010).

World Bank. 2009c. "Morocco Municipal Solid Waste Sector Development Policy Loan: Program Document." Washington, DC: World Bank.

World Bank. 2009d. *Environment Strategy Concept Note*. Washington, DC: World Bank.

World Bank. 2010a. *World Bank Global Environment Facility Operations*. Available at: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/ENVIRONMENT/EXTGLOBALENVIRONMENTFACILITYGEFOPERATIONS/0,,menuPK:286248~pagePK:149018~piPK:149093~theSitePK:286243,00.html> (accessed August 8, 2010).

World Bank. 2010b. *World Bank's Operation Manual*. Available at:
<http://siteresources.worldbank.org/OPSMANUAL/Resources/EntireOpManualExternal.pdf>
(accessed August 24, 2010).

World Bank. 2010d. "Second Programmatic Environmental Sustainability and Energy Sector Development Policy Loan (ESES DPL2): Program Document." Washington, DC: World Bank.

World Bank. 2010e "Morocco Oum Er Rbia Sanitation Project: Project Appraisal Document." Washington, DC: World Bank.

World Bank. 2010f. "Management Response to the IEG Evaluation on Safeguards and Sustainability in a Changing World." Washington, DC: World Bank. Available at
http://siteresources.worldbank.org/EXTSAFANDSUS/Resources/mgmt_response_mar.pdf
(accessed September 7, 2010).

World Bank Group's Environmental, Health, and Safety Guidelines for Toll Roads. Available from
[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/gui_EHSGuidelines2007_TollRoads/\\$FILE/Final+++Toll+Roads.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/gui_EHSGuidelines2007_TollRoads/$FILE/Final+++Toll+Roads.pdf) (accessed August 29, 2010).

World Commission on Environment and Development. 1987. *Our Common Future*. New York: Oxford University Press.

Annex 1: World Bank Safeguard Policies, Objectives and Operational Principles

<i>Policy/ Directive No.</i>	Safeguard Policy	Objective	Operational Principles²⁰³
OP/BP 4.01	Environmental Assessment	To help ensure the environmental and social soundness and sustainability of investment projects. To support integration of environmental and social aspects of projects into the decision making process.	<ul style="list-style-type: none"> • Use a screening process for each proposed project, as early as possible, to determine the appropriate extent and type of environmental assessment (EA) so that appropriate studies are undertaken proportional to potential risks and to direct, and, as relevant, indirect, cumulative, and associated impacts. Use sectoral or regional environmental assessment when appropriate. • Assess potential impacts of the proposed project on physical, biological, socio-economic and physical cultural resources, including transboundary and global concerns, and potential impacts on human health and safety. • Assess the adequacy of the applicable legal and institutional framework, including applicable international environmental agreements, and confirm that they provide that the cooperating government does not finance project activities that would contravene such international obligations. • Provide for assessment of feasible investment, technical, and siting alternatives, including the "no action" alternative, potential impacts, feasibility of mitigating these impacts, their capital and recurrent costs, their suitability under local conditions, and their institutional, training and monitoring requirements associated with them. • Where applicable to the type of project being supported, normally apply the Pollution Prevention and Abatement Handbook (PPAH). Justify deviations when alternatives to measures set forth in the PPAH are selected. • Prevent and, where not possible to prevent, at least minimize, or compensate for adverse project impacts and enhance positive impacts through environmental management and planning that includes the proposed mitigation measures, monitoring, institutional capacity development and training measures, an implementation schedule, and cost estimates. • Involve stakeholders, including project-affected groups and local nongovernmental organizations, as early as possible, in the preparation process and ensure that their views and concerns are made known to decision makers and taken into account. Continue consultations throughout project implementation as necessary to address EA-related issues that affect them. • Use independent expertise in the preparation of EA where appropriate. Use independent advisory panels during preparation and implementation of projects that are highly risky or contentious or that involve serious and multi-dimensional environmental and/or social concerns. • Provide measures to link the environmental assessment process and findings with studies of economic, financial, institutional, social and technical analyses of a proposed project. • Provide for application of the principles in this Table to subprojects under investment and financial intermediary activities. • Disclose draft EA in a timely manner, before appraisal formally begins, in an accessible place and in a form and language understandable to key stakeholders.

²⁰³ As defined in OP 4.00.

Annex 1: World Bank Safeguard Policies, Objectives and Operational Principles

OP/BP 4.04	Natural Habitats	To promote environmentally sustainable development by supporting the protection, conservation, maintenance, and rehabilitation of natural habitats and their functions.	<ul style="list-style-type: none"> • Use a precautionary approach to natural resources management to ensure opportunities for environmentally sustainable development. Determine if project benefits substantially outweigh potential environmental costs. • Avoid significant conversion or degradation of critical natural habitats, including those habitats that are (a) legally protected, (b) officially proposed for protection, (c) identified by authoritative sources for their high conservation value, or (d) recognized as protected by traditional local communities. • Where projects adversely affect non-critical natural habitats, proceed only if viable alternatives are not available, and if appropriate conservation and mitigation measures, including those required to maintain ecological services they provide, are in place. Include also mitigation measures that minimize habitat loss and establish and maintain an ecologically similar protected area. • Whenever feasible, give preference to siting projects on lands already converted. • Consult key stakeholders, including local nongovernmental organizations and local communities, and involve such people in design, implementation, monitoring, and evaluation of projects, including mitigation planning. • Provide for the use of appropriate expertise for the design and implementation of mitigation and monitoring plans. • Disclose draft mitigation plan in a timely manner, before appraisal formally begins, in an accessible place and in a form and language understandable to key stakeholders.
OP/BP 4.36	Forests	To realize the potential of forests to reduce poverty in a sustainable manner, integrate forests effectively into sustainable economic development, and protect the vital local and global environmental services and values of forests.	<ul style="list-style-type: none"> • Screen as early as possible for potential impacts on forest health and quality and on the rights and welfare of the people who depend on them. As appropriate, evaluate the prospects for new markets and marketing arrangements. • Do not finance projects that would involve significant conversion or degradation of critical forest areas or related critical natural habitats, or that would contravene applicable international environmental agreements. • Do not finance natural forest harvesting or plantation development that would involve any conversion or degradation of critical forest areas or related critical natural habitats. • Support projects that adversely impact non-critical natural forests or related natural habitats only if viable alternatives to the project are not available and only if appropriate conservation and mitigation measures are in place. • Support commercial, industrial-scale forest harvesting only when the operation is certified, under an independent forest certification system, as meeting, or having a time-bound action plan to meet, internationally recognized standards of responsible forest management and use. • Ensure that forest restoration projects maintain or enhance biodiversity and ecosystem functionality and that all plantation projects are environmentally appropriate, socially beneficial and economically viable. • Give preference to small-scale community-level management approaches where they best reduce poverty in a sustainable manner. • Support commercial harvesting by small-scale landholders, local communities or entities under joint forest management where monitoring with the meaningful participation of local communities demonstrates that these operations achieve a standard of forest management consistent with internationally recognized standards of responsible forest use or that they are adhering to an approved time-bound plan to meet these standards.

Annex 1: World Bank Safeguard Policies, Objectives and Operational Principles

			<ul style="list-style-type: none"> • Use forest certification systems that require: (a) compliance with relevant laws; (b) recognition of, and respect for, legal or customary land tenure and use rights as well as the rights of Indigenous Peoples and workers; (c) measures to enhance sound community relations; (d) conservation of biological diversity and ecological functions; (e) measures to maintain or enhance environmentally sound multiple benefits from the forest; (f) prevention or minimization of environmental impacts; (g) effective forest management planning; (h) active monitoring and assessment of relevant forest management areas; and (i) independent, cost effective, third-party assessment of forest management performance against measurable performance standards defined at the national level and compatible with internationally accepted principles and criteria of sustainable forest management through decision making procedures that are fair, transparent, independent, designed to avoid conflict of interest and involve the meaningful participation of key stakeholders, including the private sector, Indigenous Peoples, and local communities. • Disclose any time-bound action plans in a timely manner, before appraisal formally begins, in an accessible place and in a form and language that are understandable to key stakeholders.
OP 4.09	Pest Management	To minimize and manage the environmental and health risks associated with pesticide use and promote and support safe, effective, and environmentally sound pest management.	<ul style="list-style-type: none"> • Promote use of demand driven, ecologically based biological or environmental pest management practices (Integrated Pest Management [IPM] in agricultural projects and Integrated Vector Management [IVM] in public health projects) and reduce reliance on synthetic chemical pesticides. Include assessment of pest management issues, impacts and risks in the EA process. • Procure pesticides contingent on an assessment of the nature and degree of associated risks, taking into account the proposed use and intended users. Do not procure formulated products that are in WHO Classes IA and IB, or formulations of products in Class II unless there are restrictions that are likely to deny use or access to lay personnel and others without training or proper equipment Reference: WHO's "Recommended Classification of Pesticides by Hazard and Guidelines to Classification" (IOMC, 2000-2002). • Follow the recommendations and minimum standards as described in the United Nations Food and Agriculture Organization (FAO) International Code of Conduct on the Distribution and Use of Pesticides (Rome, 2003) and procure only pesticides that are manufactured, labeled, handled, stored, applied and disposed of according to acceptable standards as described in FAO Pesticide Guidelines on Storage, Labeling, and Disposal (Rome, 1985). • Support policy reform and institutional capacity development to (a) enhance implementation of IPM- and IVM-based pest management, and (b) regulate and monitor the distribution and use of pesticides. • Disclose draft mitigation plan in a timely manner, before appraisal formally begins, in an accessible place and in a form and language that are understandable to key stakeholders.
OPN 11.03	Cultural Property	To assist in preserving physical cultural resources (PCR) and avoiding their destruction or damage. PCR includes archaeological, paleontological, historical, and sacred	<ul style="list-style-type: none"> • Analyze feasible project alternatives to prevent or minimize or compensate for adverse impacts and enhance positive impacts on PCR, through site selection and design. • If possible, avoid financing projects that significantly damage PCR. As appropriate, conduct field based surveys using qualified specialists to evaluate PCR. • Consult local people in documenting the presence and significance of PCR, assessing the nature and extent of potential impacts on these resources, and designing and implementing mitigation plans. • Provide for the use of "chance find" procedures that include a pre-approved management and conservation approach for materials that may be discovered during project implementation.

Annex 1: World Bank Safeguard Policies, Objectives and Operational Principles

		sites including graveyards, burial sites, and unique natural values.	<ul style="list-style-type: none"> • Define and undertake measures for strengthening institutional capacity to implement mitigation plans and to deal with impacts on PCR identified prior to and/or discovered during project implementation. • Disclose draft mitigation plans, in a timely manner, before appraisal formally begins, in an accessible place and in a form and language that are understandable to key stakeholders.
OP/BP4.12	Involuntary Resettlement	To avoid or minimize involuntary resettlement and, where this is not feasible, to assist displaced persons in improving or at least restoring their livelihoods and standards of living in real terms relative to pre-displacement levels or to levels prevailing prior to the beginning of project implementation, whichever is higher.	<ul style="list-style-type: none"> • Assess all viable alternative project designs to avoid, where feasible, or minimize involuntary resettlement. • Through census and socio-economic surveys of the affected population, identify, assess, and address the potential economic and social impacts of the project that are caused by involuntary taking of land (e.g., relocation or loss of shelter, loss of assets or access to assets, loss of income sources or means of livelihood, whether or not the affected person must move to another location) or involuntary restriction of access to legally designated parks and protected areas. • Identify and address impacts also if they result from other activities that are (a) directly and significantly related to the proposed project, (b) necessary to achieve its objectives, and (c) carried out or planned to be carried out contemporaneously with the project. • Consult project-affected persons, host communities and local nongovernmental organizations, as appropriate. Provide them opportunities to participate in the planning, implementation, and monitoring of the resettlement program, especially in the process of developing and implementing the procedures for determining eligibility for compensation benefits and development assistance (as documented in a resettlement plan), and for establishing appropriate and accessible grievance mechanisms. Pay particular attention to the needs of vulnerable groups among those displaced, especially those below the poverty line, the landless, the elderly, women and children, Indigenous Peoples, ethnic minorities, or other displaced persons who may not be protected through national land compensation legislation. • Inform displaced persons of their rights, consult them on options, and provide them with technically and economically feasible resettlement alternatives and needed assistance, including (a) prompt compensation at full replacement cost for loss of assets attributable to the project; (b) if there is relocation, assistance during relocation, and residential housing, or housing sites, or agricultural sites of equivalent productive potential, as required; (c) transitional support and development assistance, such as land preparation, credit facilities, training or job opportunities as required, in addition to compensation measures; (d) cash compensation for land when the impact of land acquisition on livelihoods is minor; and (e) provision of civic infrastructure and community services as required. • Give preference to land-based resettlement strategies for displaced persons whose livelihoods are land-based. • For those without formal legal rights to lands or claims to such land that could be recognized under the laws of the country, provide resettlement assistance in lieu of compensation for land to help improve or at least restore their livelihoods. • Disclose draft resettlement plans, including documentation of the consultation process, in a timely manner, before appraisal formally begins, in an accessible place and in a form and language that are understandable to key stakeholders. • Apply the principles described in the involuntary resettlement section of this Table, as applicable and relevant, to subprojects requiring land acquisition. • Design, document, and disclose before appraisal of projects involving involuntary restriction of access to

Annex 1: World Bank Safeguard Policies, Objectives and Operational Principles

			<p>legally designated parks and protected areas, a participatory process for: (a) preparing and implementing project components;</p> <p>(b) establishing eligibility criteria; (c) agreeing on mitigation measures that help improve or restore livelihoods in a manner that maintains the sustainability of the park or protected area; (d) resolving conflicts; and (e) monitoring implementation.</p> <ul style="list-style-type: none"> • Implement all relevant resettlement plans before project completion and provide resettlement entitlements before displacement or restriction of access. For projects involving restrictions of access, impose the restrictions in accordance with the timetable in the plan of actions. • Assess whether the objectives of the resettlement instrument have been achieved, upon completion of the project, taking account of the baseline conditions and the results of resettlement monitoring.
OP 4.10	Indigenous Peoples	To design and implement projects in a way that fosters full respect for Indigenous Peoples' dignity, human rights, and cultural uniqueness and so that they: (a) receive culturally compatible social and economic benefits; and (b) do not suffer adverse effects during the development process.	<ul style="list-style-type: none"> • Screen early to determine whether Indigenous Peoples are present in, or have collective attachment to, the project area. Indigenous Peoples are identified as possessing the following characteristics in varying degrees: self-identification and recognition of this identity by others; collective attachment to geographically distinct habitats or ancestral territories and to the natural resources in these habitats and territories; presence of distinct customary cultural, economic, social or political institutions; and indigenous language. • Undertake free, prior and informed consultation with affected Indigenous Peoples to ascertain their broad community support for projects affecting them and to solicit their participation: (a) in designing, implementing, and monitoring measures to avoid adverse impacts, or, when avoidance is not feasible, to minimize, mitigate, or compensate for such effects; and (b) in tailoring benefits in a culturally appropriate manner. • Undertake social assessment or use similar methods to assess potential project impacts, both positive and adverse, on Indigenous Peoples. Give full consideration to options preferred by the affected Indigenous Peoples in the provision of benefits and design of mitigation measures. Identify social and economic benefits for Indigenous Peoples that are culturally appropriate, and gender and inter-generationally inclusive and develop measures to avoid, minimize and/or mitigate adverse impacts on Indigenous Peoples . • Where restriction of access of Indigenous Peoples to parks and protected areas is not avoidable, ensure that the affected Indigenous Peoples' communities participate in the design, implementation, monitoring and evaluation of management plans for such parks and protected areas and share equitably in benefits from the parks and protected areas. • Put in place an action plan for the legal recognition of customary rights to lands and territories, when the project involves: (a) activities that are contingent on establishing legally recognized rights to lands and territories that Indigenous Peoples traditionally owned, or customarily used or occupied; or (b) the acquisition of such lands. • Do not undertake commercial development of cultural resources or knowledge of Indigenous Peoples without obtaining their prior agreement to such development. • Prepare an Indigenous Peoples Plan that is based on the social assessment and draws on indigenous knowledge, in consultation with the affected Indigenous Peoples' communities and using qualified professionals. Normally, this plan would include a framework for continued consultation with the affected communities during project implementation; specify measures to ensure that Indigenous Peoples receive culturally appropriate benefits, and identify measures to avoid, minimize, mitigate or compensate

Annex 1: World Bank Safeguard Policies, Objectives and Operational Principles

			<p>for any adverse effects; and include grievance procedures, monitoring and evaluation arrangements, and the budget for implementing the planned measures.</p> <ul style="list-style-type: none"> • Disclose the draft Indigenous Peoples Plan, including documentation of the consultation process, in a timely manner before appraisal formally begins, in an accessible place and in a form and language that are understandable to key stakeholders. • Monitor implementation of the Indigenous Peoples Plan, using experienced social scientists.
OP 4.37	Safety of Dams	To assure quality and safety in the design and construction of new dams and the rehabilitation of existing dams, and in carrying out activities that may be affected by an existing dam.	<ul style="list-style-type: none"> • Identify existing dams and dams under construction that can influence the performance of the project and implement necessary safety measures/remedial works. • Use experienced and competent professionals to design and supervise the construction, operation, and maintenance of dams and associated works. • Develop detailed plans, including for construction supervision, instrumentation, operation and maintenance and emergency preparedness. • Use independent advice on the verification of design, construction, and operational procedures and appoint independent panels of experts for large or high hazard dams. • Use contractors that are qualified and experienced to undertake planned construction activities. • Carry out periodic safety inspections of new/rehabilitated dams after completion of construction/rehabilitation, review/monitor implementation of detailed plans and take appropriate action as needed.
OP 7.50	Projects on International Waterways	To ensure that Bank-financed projects affecting international waterways would not affect: <ul style="list-style-type: none"> (i) relations between the Bank and its Borrowers and between states (whether members of the Bank or not), and (ii) the efficient utilization and protection of international waterways. 	

Annex 1: World Bank Safeguard Policies, Objectives and Operational Principles

OP 7.60	Projects in Disputed Areas	<p>To ensure that projects in disputed areas are dealt with at the earliest possible stage:</p> <ul style="list-style-type: none"> (a) so as not to affect relations between the Bank and its member countries; (b) so as not to affect relations between the Borrower and neighboring countries; (c) so as not to prejudice the position of either the Bank or the countries concerned. 	
---------	----------------------------	---	--

Note: OP=Operational Policy. OPs are short, focused statements that follow from the Bank's Articles of Agreement, the general conditions, and policies approved by the Board. OPs establish the parameters for the conduct of operations; they also describe the circumstances under which exceptions to policy are admissible and spell out who authorizes exceptions.

BP= Bank Policy. BPs explain how Bank staff carry out the policies set out in the OPs. BPs spell out the procedures and documentation required to ensure Bank-wide consistency and quality.

Source: World Bank-LCR-QAT (2006)

Annex 2: Management Response to IEG Evaluation and Recommendations from Analytical Work on Implementation of Environmental Policies

RECOMMENDATION IEG EVALUATION [Only Bank-Applicable Recommendations Presented]	MANAGEMENT RESPONSE [Bank Responses Presented Only]	Recommendations of Environment. Strategy Paper on “Implementation of Environmental Policies”²⁰⁴
<p align="center">1. Revise the policy frameworks to harmonize thematic coverage and guidance across the Bank Group and enhance the relevance of those frameworks to client needs</p>		
<p><i>IFC, MIGA, and the World Bank should jointly adopt and use a shared set of objective criteria to assess social and environmental risks to ensure adequacy and consistency in project categorization across the WBG, using the more inclusive criteria for category A, and refining the categorization system to address the bunching of higher and lower risk projects within the current category B.</i></p>	<p><i>World Bank, IFC and MIGA: Agreed. Bank, IFC and MIGA Management will convene within the first half of FY11 a small group of senior level environmental and social specialists to discuss approaches to either a shared set of objective criteria or alternative approaches to categorization that are more refined in scope and clearer to teams. The recommendations of this review will be factored into Bank Management’s review of global good practice that will be carried out in preparation of an overall update of Bank policies on project safeguards.</i></p> <p><i>Timeline: In parallel with the update of Bank safeguards (see below) and following Board approval of the updated IFC Sustainability Policy and Performance Standards.</i></p>	<p align="center">IN AGREEMENT WITH MAR:</p> <p>The paper presents analysis of a number of categorization systems used at other MDBs, all of which are either based on “objective criteria” or are “more refined in scope”, fulfilling the commitment, set forth in the MAR, by the Bank to conduct such a review by the first half of FY11. These approaches represent an evolution of categorization methodologies to reduce reliance on procedures requiring subjective judgments on project categorization. These systems included checklists, used at the IFC; categorical exemptions, used at the US-EPA; expert systems, used by the ADB; and risk-based categorization, which is in use by the EBRD and EIB.</p> <p>The paper recommends that the Bank study the experiences of other MDBs with the intention of identifying, over the short-, medium-, and long-term, the most suitable option for improving the accurateness and consistency of its project environmental categorization. (C.227)</p>

²⁰⁴ References are to the chapter and paragraph number as given in the 10/12/10 draft of the 2010 Environment Strategy: for instance C.227 refers to b Annex C, paragraph 227

Annex 2: Management Response to IEG Evaluation and Recommendations from Analytical Work on Implementation of Environmental Policies

<p>The <i>World Bank</i> should:</p> <p>Ensure adequate coverage of social effects — integrating community and gender impacts, labor and working conditions, and health, safety, and security issues not currently covered by its safeguard policies — by consolidating existing social safeguards with other World Bank Group policies on social risks as requirements under one umbrella policy on social sustainability.</p>	<p><i>Disagreed.</i> While Bank Management recognizes, as does IEG, the importance of undertaking a comprehensive updating and consolidation of its safeguard policies, it is not yet ready to agree in this detail on the final outcome of that process. Instead, taking into account IEG’s analysis and consideration of IFC’s Performance Standards for its private sector support in the context of the Bank’s public sector support, Bank Management plans to engage in a dialogue and learning process with a diversity of shareholders and stakeholders on global good practice (in developing countries as well as industrial countries). Bank Management plans to complete this process in the next 24 months and then report to the Board on how it intends to further strengthen its approach to safeguards in its investment lending policy framework with the aim of enhancing support for environmental and social sustainability, including consideration of an umbrella policy on environmentally and socially sustainable development.</p> <p><i>Timeline: 24 months.</i></p> <p>During this process, on an interim basis, Bank Management will address concerns related to the balance between environmental and social issues by preparing and issuing guidance on the scope and coverage of social issues in the context of the preparation and implementation of environmental assessments.</p> <p><i>Timeline: Guidance issued by the end of the third quarter of FY11.</i></p>	<p>IN AGREEMENT WITH MAR:</p> <p>As an aide to the global review of safeguard practices this paper presents information from the IFC and other MDBs regarding possible tradeoffs in the design of sustainability policies, including those of: mitigation vs. sustainability; compliance-based vs. outcomes-based policies; and possible inclusion of capacity-building and enhancement of positive impacts within the safeguards policies. These considerations are meant as a guide for the discussions that will take place over the next two years in the context of this review of good practices. (C.225)</p> <p>The paper presented these considerations, and its analysis, in the context of the effort to create an umbrella policy on environmental sustainability such as that possessed by the IFC and other MDBs. Although the MAR would not specifically commit to the IEG that Bank management would create such a policy, the MAR does say that the Bank will consider the creation of an umbrella sustainability policy, and as such, although the recommendations of the paper go further than the MAR does, the paper does not conflict with the MAR.</p>
<p>Consolidate the environmental policies as requirements under one umbrella policy on environmental sustainability.</p>		

Annex 2: Management Response to IEG Evaluation and Recommendations from Analytical Work on Implementation of Environmental Policies

2. Enhance client capacity, responsibility, and ownership		
<p>The <i>World Bank</i> should:</p> <p>Increase the synergies between safeguards work and broader Bank engagement on environmental and social sustainability by investing in upstream analytical work, technical assistance, and lending to strengthen country and sector institutions and capacities in client countries.</p>	<p><i>Agreed.</i> Bank Management agrees and will work between SDN, OPCS, LEG and the Regions to promote this approach. This issue will also be an element of the global good practice review discussed above. For example, as part of the updated Environment Strategy process, SDN is developing guidelines on how to incentivize analytical work, technical assistance, and lending that strengthens environmental governance, institutions and capacity in client countries.</p> <p>While Bank Management agrees, it suggests that it not be included in future Management Action Records for monitoring, because there is no clear way of demonstrating its implementation.</p>	<p>The paper discusses ways that the Bank can be more systematic in its approach towards enhancement of positive impacts and client capacity building. It also recommends the creation of corporate- and regional-level Environmental Safeguards Business Plans, to be created by the environment anchor and regional environment units. These business plans will aid in attempts to integrate safeguards work with the environmental agenda. (C.223-4 and C.248).</p>
<p>Require regular reporting by the borrower on implementation and outcomes of safeguards in Bank-supported projects, and work with clients to develop instruments and indicators to help in such monitoring.</p>	<p><i>Not Agreed.</i> Instead, this issue will be included in the process outlined above in response to Recommendation 1.</p>	

Annex 2: Management Response to IEG Evaluation and Recommendations from Analytical Work on Implementation of Environmental Policies

3. Revise guidelines, instruments, and incentives to strengthen supervision arrangements		
<p>The World Bank should:</p> <p>Assign responsibility and budget for safeguards oversight and reporting to environmental and social units in each operational Region—in line with IFC practice—in place of the delegation of safeguards processing and supervision to sector management units.</p>	<p>Disagreed. Bank Management agrees with IEG that there is a need to strengthen supervision of medium and low risk projects. How this will be done may need to differ from region to region, depending on country capacity and project type and mix.</p> <p>Bank Management does not agree with the specific recommendation on giving the responsibility and budget for safeguard oversight and reporting to environmental and social units in each operational Region and this will need to be dropped from further monitoring by IEG.</p> <p>Bank Management plans to undertake a review by the second quarter of FY11 concerning current practices with respect to responsibility, accountability, incentives, staffing, and budgeting for safeguard processing and supervision.</p> <p>This review will also cover the issue of financial intermediary projects and projects that use environmental and social policy frameworks (see below). Based on this review, practices will be updated with the objective of enhancing effectiveness and efficiency and maximizing the synergies between safeguard work and broader Bank engagement on environmental and social sustainability.</p> <p><i>Timeline: Bank Management action, based on the review, by the third quarter of FY11.</i></p> <p>Bank Management notes that, as part of Investment Lending Reform process, it has actions ongoing to enhance the effectiveness and efficiency of implementation support.</p> <p>These include: (a) the assignment of staff and budget in line with the level of risk associated with an operation, using the new risk assessment and management procedures; and (b) the embedding of grievance redress mechanisms more broadly into projects.</p>	<p>IN AGREEMENT WITH MAR:</p> <p>The paper recommends some reorganization of safeguards-related responsibilities. The paper recommends strengthening the oversight responsibilities of OPCS.</p> <p>This same recommendation also arose from the background paper on Environmental Mainstreaming, which recommended “Reinstat[ing] a work program in the anchor for environmental safeguards with emphasis on learning and skills development, fundraising for upstream work and client capacity development, and follow-up to the IEG evaluation.” (C.112)</p> <p>In the MAR, Bank Management committed to undertake, by Q2 FY '11, a review of incentives, staffing, and budgeting for safeguard processing and supervision. This paper, and other Environment Strategy documents, is part of such a review effort, and as such it would be expected that their recommendations would be more specific than those which could be committed to in the MAR.</p> <p>In terms of organization restructuring, the paper recommends that the Environment Anchor and the environment units increase their program in safeguards-related activities, and take a more active role in strategically orienting their staffing and resources, through training, analytical works, staff development, etc, rather than being subject to fluctuating demand and uncertain funding. (C.247-248)</p>
<p>Introduce a certification program to expand the pool of staff qualified to undertake social and environmental preparation and</p>	<p>Agreed/Ongoing. OPCS is developing, in coordination with SDN and LEG, a mandatory Operational Core Course for task team leaders which includes modules on safeguard policies and their implementation. Bank Management also</p>	<p>IN AGREEMENT WITH MAR:</p> <p>This paper contains a full proposal for a comprehensive accreditation and certification program on environmental safeguards for all staff. This program would include a basic</p>

Annex 2: Management Response to IEG Evaluation and Recommendations from Analytical Work on Implementation of Environmental Policies

<p>supervision while ensuring quality and consistency, and provide orientation training on environmental and social sustainability to all task team leaders.</p>	<p>has several ongoing and planned initiatives to expand the pool of qualified environmental and social staff that can provide support on safeguards and sustainability issues.</p> <p>Bank Management supports the initiation of a certification/accreditation program for environmental and social staff working on sustainability and safeguard issues starting in FY11. SDN is working on the design of a core environmental and social sustainability and safeguards course, which will act as a mentoring and certification/accreditation program for environmental and social staff, selected staff of other sectors, and safeguard consultants. The certification/accreditation program will commence by the end of FY11.</p> <p>SDN also has launched several complementary initiatives to improve the staffing and skills mix for sustainability and safeguards, and to align incentives with the mainstreaming of environmental and social sustainability throughout the portfolio. These include: (a) a Bank-wide analysis of staffing for environmental and social sustainability and safeguards; (b) the development of competencies that emphasize skills in sustainability and safeguards, on both the environment and social issues; (c) consistent management signaling regarding the importance of working on sustainability and safeguards; and (d) the organization of field based training sessions on sustainability and safeguards.</p> <p><i>Timeline: Processes in place (subject to cost considerations) by the beginning of FY12.</i></p>	<p>level of safeguards training which would be mandatory for all non-administrative staff, along with supplementary modules for task team leaders, sector managers, environment safeguards staff, project management cells, and consultants. An accreditation program of this nature would fulfill the Bank’s promise, in the MAR, to begin a certification program on safeguards by the end of FY11. (C.262-263)</p> <p>It would also assist in fulfilling SDN’s commitment to “consistent management signaling on the importance of sustainability and safeguards” (by being required of all staff), and “the organization of field-based training sessions on sustainability and safeguards” (by being online and hence accessible from the field).</p> <p>It also recommended that each region undertake a skills and needs assessment of its environmental safeguards staff and detail staff to courses where they could receive internationally-recognized training on areas where the region requires more expertise, based on its current skill set, the nature of its portfolio, and other such considerations. This would fulfill promises in the MAR to increase “development of competencies that emphasize skills” and for a “Bank-wide analysis of staffing”. (C.264)</p>
<p>Develop and implement an action plan to ensure regular supervision of financial intermediary projects and investment projects that use social and environmental policy frameworks through third-party or community monitoring for higher-risk projects, and disclosure of monitoring and supervision reports.</p>	<p>Partially Agreed/Ongoing. Bank Management is currently engaged in a Bank-wide review of the use of frameworks that will examine these types of projects and identify good practices. The review will include an examination of a variety of means to strengthen monitoring of such projects including, in appropriate situations, the use of third-party or community monitoring for selected higher risk projects.</p> <p>The review is expected to be completed by the third quarter of FY11 and will provide the basis for guidance to be issued</p>	<p>NO ACTIONS INCLUDED:</p> <p>This paper does not provide specific recommendations on supervision of FI projects; however it contains a number of suggestions on recommendations to update the skills mix, staffing, and incentives to strengthen the supervision of safeguards in all projects.</p>

Annex 2: Management Response to IEG Evaluation and Recommendations from Analytical Work on Implementation of Environmental Policies

	<p>for use by Bank staff and borrowers by the fourth quarter of FY11.</p> <p>See above on supervision. To be clear, Bank Management does not agree and will not be held accountable in future Management Action Records for asking clients to implement third-party or community monitoring.</p> <p><i>Timeline: Action completed by the end of FY11.</i></p>	
--	---	--

World Bank (2010f)

Annex 2: Management Response to IEG Evaluation and Recommendations from Analytical Work on Implementation of Environmental Policies

4. Strengthen safeguards monitoring, evaluation, and completion reporting		
<p>The <i>World Bank</i> should:</p> <p>Include performance indicators on environmental and social outcomes in project results frameworks and ensure systematic collection of data to monitor and evaluate safeguards performance.</p>	<p><i>Partially Agreed/Ongoing.</i> Bank Management agrees with the need to strengthen monitoring and evaluation arrangements. To address this issue, the Bank will collaborate on developing guidelines on monitoring and evaluating safeguard performance by the third quarter of FY11. These guidelines will focus on more systematically measuring outcomes, including through the use of core environmental and social performance monitoring indicators, and on evaluating impacts. Reporting will be integrated in the ISR, building on the new risk framework under the Investment Lending Reform which is already enhancing the monitoring of environmental and social risk mitigation measures in ISRs. The proposed guidelines on monitoring and evaluation will further emphasize the need for the ICR to evaluate the achievement of the safeguard related objectives and identify lessons for future projects.</p> <p>Bank Management does not agree and will not be held accountable in future Management Action Records for asking clients to use performance indicators on environmental and social outcomes in all project results frameworks.</p> <p style="text-align: center;"><i>Timeline: Guidelines issued by the end of the third quarter of FY11.</i></p>	<p><i>IN AGREEMENT WITH MAR:</i></p> <p>The paper includes recommendations on including safeguards performance indicators in ISRs and ICRs. (4.187)</p> <p>The paper goes further than the MAR by including proposals for measuring the safeguards performance of staff members by altering the mix of peer evaluators in OPEs (C.259) and recommending that the Environment Anchor and the regional environment units aggregate data on the costs of safeguards implementation and supervision for projects in their region and in the Bank as a whole (C.232). Chapter 8 of the full paper also includes recommendations for adding sections on safeguards indicators, and the cost for safeguards supervision, to PADs.</p> <p>Just as the paper on Valuation of Ecosystem Services proposes increased focus on economic analysis to assess the value of natural capital, this paper recommends undertaking similar analysis to ascertain the benefits of safeguards work in terms of preserving natural capital. The Bank is well positioned to demonstrate leadership in the field of environmental assessment by conducting analytic work to determine the feasibility of using existing cost and benefit estimation techniques to estimate the monetary net benefits of safeguards implementation. (C.233)</p>

Annex 2: Management Response to IEG Evaluation and Recommendations from Analytical Work on Implementation of Environmental Policies

<p>5. Improve systems and instruments for accountability and grievance redress</p>		
<p>IFC, MIGA, and the World Bank should:</p> <p>Seek greater symmetry in the structure of Bank Group accountability and grievance redress mechanisms. For the World Bank this would entail creation of a grievance redress and conflict resolution mechanism to complement the Inspection Panel. For IFC and MIGA this would entail a more independent compliance review process, ensuring that the CAO submits its audits directly to the Board.</p>	<p>World Bank: Agreed/Ongoing. Bank Management agrees with IEG that there is value in creating a grievance redress mechanism for which Bank Management will take responsibility that is complementary to, but separate from, the Inspection Panel. Management wishes to underscore that establishing this mechanism would not alter the responsibility of borrowers and recipients for implementing projects, and that in many cases, the grievances are not necessarily with the Bank, but between our clients and project related stakeholders. Nevertheless, these grievances are often brought for resolution to the Bank.</p> <p>Therefore, by the end of the third quarter of FY11, Bank Management intends to complete a survey and review of a wide range of potentially analogous existing grievance redress mechanisms as a basis for designing one for the Bank. The study will include a review of the cost implications and potential cost savings that could be engendered by using a system similar to the IFC CAO or other multilateral financial institutions. Bank Management will present the results of this study to the Board to ensure that any decisions emerging from the study will be consistent with the Board Resolution and related Board decisions concerning the Inspection Panel, and in a manner which takes fully into account the current requirements and experiences with project-based grievance mechanisms (including as required under OP 4.12, Involuntary Resettlement and OP 4.10, Indigenous Peoples). This study will be coordinated among Bank units with considerable experience in this field to ensure institutional coherence and efficiency.</p> <p><i>Timeline: Bank Management will (subject to cost considerations) establish a grievance mechanism by the first quarter of FY12, and provide to the Board a detailed report on the initial operation of the grievance mechanism by the end of FY12.</i></p>	<p>IN AGREEMENT WITH MAR:</p> <p>The background paper on grievance redress mechanisms includes recommendations on the design of a GRM for the Bank. This paper includes analysis of a wide variety of GRMs from the private-sector, governments, and other MDBs (including the ADB and IFC), and as such fulfils the promise of Bank Management to “survey and review a wide range of potentially analogous existing grievance redress mechanisms” by Q3 FY11. (C.237)</p>