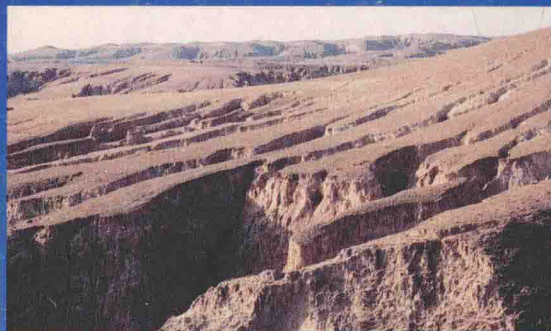
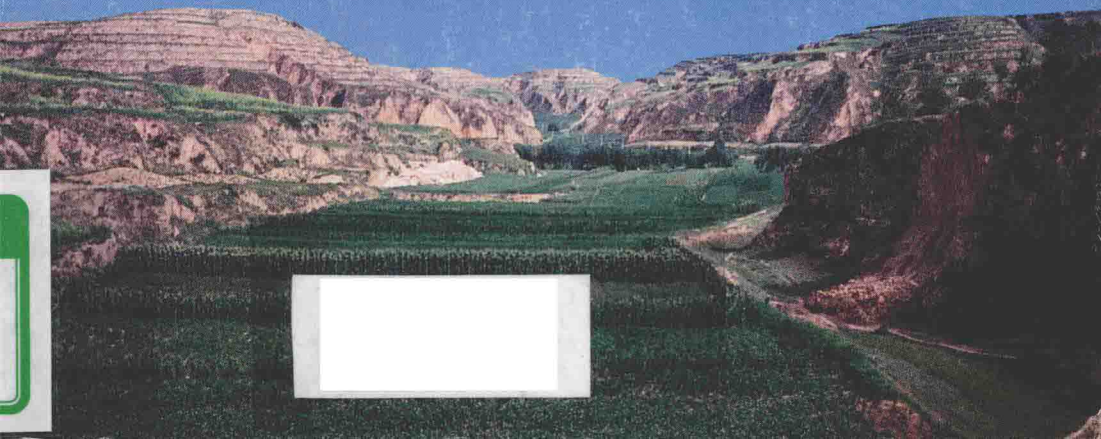


Making Development Sustainable



THE WORLD BANK GROUP
AND THE ENVIRONMENT

FISCAL 1994



Making Development Sustainable

T H E W O R L D B A N K G R O U P
A N D T H E E N V I R O N M E N T

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This report was prepared by the Environment Department of the World Bank in close collaboration with the regional environment divisions and country operations departments. The principal authors were Jocelyn Mason (coordinator), John Dixon, and John Redwood III; the team included Jocelyne Albert, Olav Kjørven, Barbara Lausche, Marian Mabel, Jill Montgomery, Letitia Oliveira, Pushpa Schwartz, Alfredo Sfeir-Younis, Peter Stephens, Jamison Suter, and Dechen Tsering. The editors were Nancy Levine, Charlotte Maxey, and Paola Brezny. Andrew Steer and Mohamed El-Ashry provided guidance.

Making Development Sustainable

Foreword

The past few years have seen an important shift in the design of development policies and investment—as the links between the natural environment and economic development have been more deeply understood.

In 1987 the World Bank Group embarked on a major effort to incorporate environmental concerns into all aspects of its work. This report, the fifth major report on progress since that time, focuses primarily on activities in fiscal year 1994. Progress has been substantial in each of the four areas that comprise the Bank's environmental agenda:

- Assisting countries in strengthening their own environmental policies and institutions (chapter 1)
- Assessing and mitigating potential damage from Bank-financed activities (chapter 2)
- Building on the complementarities between sound development and sound environmental policies (chapter 3)
- Addressing global environmental problems (chapter 4).

Good progress has also been made in strengthening the Bank's internal capacity (chapter 5) and the environmental programs of the International Finance Corporation (IFC) and the Multilateral International Guarantee Agency (MIGA) (chapter 6).

While documenting what has been achieving so far, the report also recognizes that there remains a large unfinished agenda and points to what needs to be achieved next.

One key challenge will be to ensure that the rapidly growing portfolio of environmental projects continues to perform well. Over 10 percent of the Bank's new lending is now devoted to projects specifically addressing environmental problems, and over the coming year the portfolio of active environmental projects will rise above \$10 billion. This represents a remarkably important contribution to the financing needs identified at the Rio "Earth Summit" in 1992. But helping countries to effectively implement these projects will likely require even more effort than pre-

paring and appraising them. The strong focus on institution building, the need to work across institutional and disciplinary boundaries, and the frequent lack of a powerful constituency for environmental policies and projects will tend to make implementation particularly difficult.

Another key challenge is intellectual. We remain on the steep part of the learning curve, and there are essential lessons that must be distilled from the first generation of environmental policies and projects now under implementation. There are also some tough conceptual and methodological issues in need of further work—including fundamental questions concerning how to measure progress toward environmentally sustainable development.

A third challenge relates to the need to strengthen our focus on the social dimensions of environmental and natural resource management. Resettlement, participation in the preparation of environmental assessments, cultural property, and the social assessment of projects are all areas where more attention will be needed.

A final challenge will be to mainstream global environmental concerns into the Bank Group's regular operations. The Bank will continue to be prominent in this area through its role as a key implementing agency of the Global Environment Facility, but the Bank Group's regular activities potentially have an even bigger role to play.

The Bank Group has a vital role to play in each of these areas. To do so effectively, we must continue to equip ourselves for the task and to deepen our partnerships with others who are also committed to making development more sustainable.

Andrew Steer
Director
Environment Department
The World Bank

Acronyms and Abbreviations

AIDS	Acquired Immunodeficiency Syndrome
ARPP	Annual Review of Portfolio Performance
ASAL	Agriculture Sector Adjustment Loan
BA	Beneficiary Assessment
BP	Bank Procedure
CAS	Country Assistance Strategy
CDB	Caribbean Development Bank
CEM	Country Economic Memoranda
CFC	Chlorofluorocarbon
CGIAR	Consultative Group on International Agricultural Research
DAC	Development Assistance Committee
EA	Environmental Assessment
EBRD	European Bank for Reconstruction and Development
ECA	Europe and Central Asia
EDI	Economic Development Institute
EDS	Environmental Data Sheet
EIA	Environmental Impact Assessment
EIB	European Investment Bank
ESD	Environmentally Sustainable Development
EU	European Union
FAO	Food and Agricultural Organization of the United Nations
FSU	Former Soviet Union
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GEF	Global Environment Facility
GEMS	Global Environment Monitoring System
GET	Global Environment Trust
GIS	Geographic Information System
GP	Good Practice
IAIA	International Association of Impact Assessment
IBRD	International Bank for Reconstruction and Development
ICDP	Integrated Conservation and Development Project

ICZM	Integrated Coastal Zone Management
IDA	International Development Association
IDB	Inter-American Development Bank
IDF	Institutional Development Fund
IFC	International Finance Corporation
IASA	International Institute for Applied Systems Analysis
IMO	International Maritime Organization
IMS	Investment Market Service
IPPS	Industrial Pollution Projection System
IUCN	World Conservation Union
LPG	Liquefied Petroleum Gas
MARPOL	Marine Pollution
MEDCITIES	Mediterranean Coastal Cities Network
MEIP	Metropolitan Environmental Improvement Programme
METAP	Mediterranean Technical Assistance Program
MFI	Multilateral Financial Institutions
MFMP	Multilateral Fund for the Implementation of the Montreal Protocol
MIGA	Multilateral Investment Guarantee Agency
MP	Montreal Protocol
MSWM	Municipal Solid Waste Management
NEAP	National Environmental Action Plan
NGO	Nongovernmental Organization
NIPA	NGOs for Integrated Protected Areas, Inc.
OD	Operational Directive
ODS	Ozone Depleting Substance
OECD	Organization for Economic Cooperation and Development
OECS	Organization of Eastern Caribbean States
OHS&E	Occupational Health, Safety, and Environment
OP	Operational Policy
PERL	Public Enterprise Reform Loan
PIC	Public Information Center
PID	Project Information Document
PPA	Participatory Poverty Assessment Project Preparation Advance
PPF	Project Preparation Facility
PTI	Program of Targeted Interventions
RAINS/ASIA	Regional Acidification Information and Simulation in Asia
R&D	Research and Development
SAL	Structural Adjustment Loan
SAR	Staff Appraisal Report

SDR	Special Drawing Right
SECAL	Sectoral Adjustment Loan and Credit
T&V	Training and Visit
UIP	Urgent Investment Portfolio
UMP	Urban Management Programme
UNCED	United Nations Conference on Environment and Development
UNCHS	United Nations Center for Human Settlements
UNDP	United Nations Development Programme
UNDRO	United Nations Disaster Relief Organization
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
UNIFEM	United Nations Development Fund for Women
UNITAR	United Nations Institute for Training and Research
UNSO	United Nations Sudano-Sahelian Office
URBAIR	Urban Air Quality Management Strategy
WCMC	World Conservation Monitoring Centre
WHO	World Health Organization
WID	Women in Development

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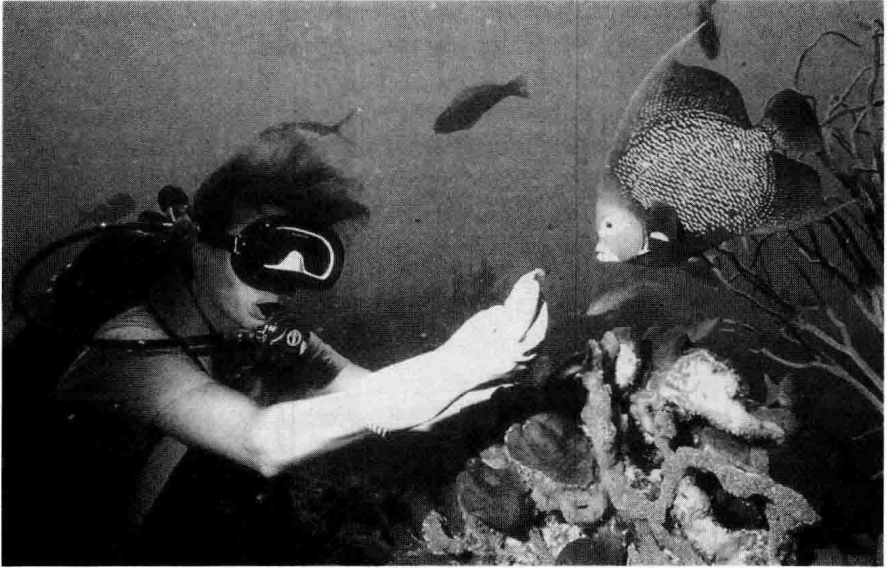
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Overview



JAN POST

The concept of sustainable development implies balancing environmental protection with the generation of increased opportunities for employment and improved livelihoods. In this marine park surrounding the island of Bonaire in the Caribbean, for example, tourism, carefully managed to avoid ecological damage, provides revenue to cover the operations cost of the park and income for the small island community.

World Bank activities to protect and enhance the environment are based on a fourfold agenda:

- Assisting countries in setting priorities, strengthening institutions, and implementing programs for environmentally sustainable development
- Minimizing the potential adverse environmental and social impacts of development projects
- Building on the positive linkages between poverty reduction, economic efficiency, and environmental protection
- Addressing global environmental challenges.

This report is organized around these points. It also describes how the Bank Group has strengthened its internal capacity for dealing with environmental and social issues and summarizes the environment-related activities of the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) over the past fiscal year.

From Policy to Practice

Last year's report on the environment signaled a major transition in the Bank's work on the environment, with the emphasis shifting from the design of policies to their implementation in the field. The report highlighted

- The need for governments to strengthen their ministries, agencies, and other institutions to deal more effectively with environmental issues
- Greater integration of environmental concerns into the Bank's economic and sector work
- A growing emphasis on the social aspects of sustainable development.

Over the past year progress has been achieved on all these fronts. Lending for environmental projects, support for national and regional environmental action plans, and assessment and mitigation of environmental and social impacts of project work have assumed more prominence in the Bank's agenda. (See box 1 for highlights of the World Bank Group's environment-related work in fiscal 1994.)¹ Even so, the Bank and its borrowers are continuing to learn important lessons from the implementation of environmental policies, plans, and projects—and to take steps to put those lessons into practice.