A Citizens' Guide to The Multilateral Development Banks and Indigenous Peoples

The World Bank

By Cindy M. Buhl
Indigenous Peoples Program
The Bank Information Center
November 1994

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PREFACE

The Bank Information Center (BIC) is a non-profit, non-governmental organization (NGO) that provides information to NGOs around the world on the projects, policies and practices of the multilateral development banks (MDBs). The BIC is committed to working within the international NGO community to monitor environmentally sensitive MDB-funded projects and those that might adversely impact indigenous peoples. To carry out the latter task better, the BIC initiated its Indigenous Peoples Program in January 1994. The BIC lobbies for a more open information policy within the MDBs and assists NGOs in developing countries in their efforts to hold the MDBs accountable for their environmental and social policies. The BIC also has a program on Latin America and the Caribbean.

Although the various MDBs, especially the World Bank, have developed policies regarding the environment, indigenous peoples, information disclosure and other social issues, currently little effort is made to educate NGOs and affected peoples about how they can participate in the process to shape Bank-supported projects. This handbook is intended to provide that important information. It reflects current World Bank policy and describes the opportunities for public participation mandated by the Bank's own directives. The BIC urges users of this handbook to include in their analyses of World Bank projects an evaluation of how well these policies are being implemented in practice.

The BIC is supported by private foundations and organizations that work in the fields of environment and development. The BIC is not affiliated with any MDB nor does it receive any support or funds from the MDBs.

For additional information on the MDBs, their environmental and social policies or projects, please contact:

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PUBLICATIONS AVAILABLE FROM THE BANK INFORMATION CENTER

A Citizens' Guide to World Bank Environmental Assessment Procedures (1992). In English, Spanish and French.

A Citizens' Guide to the Multilateral Development Banks and Indigenous Peoples (1994). A series on each of the MDBs to begin in November 1994 with a guide on the World Bank in English, Spanish and French. The series will continue throughout 1995 with guides on the Global Environmental Facility, the Asian Development Bank, the African Development Bank, the European Bank for Reconstruction and Development and the Inter-American Development Bank.

Memorandum Regarding the World Bank's Inspection Panel (August 1994). Available in English.

A Citizens' Guide to the World Bank's Information Disclosure Policy. Available September 1994 in English, Spanish and French.

ACKNOWLEDGEMENTS

This guide to the World Bank was written by Cindy Buhl, director of the BIC's Indigenous Peoples Program. Initial research was done by Jon Sattler. Many people contributed to this handbook, and the BIC gratefully acknowledges their commentary, advice and editing. In particular, Cindy Buhl and the BIC wish to thank Kay Treakle, Martha Hall, Marcus Colchester, Sandy Davis, John Clark, Jens Dahl, Ricardo Carrere, Roberto Espinoza, Joji Cariño, Lori Udall, Owen Lynch, Alistair Graham, Andrew Gray, Sheila Mulvihill, Robert Hoyt, Mimi Hutchins, Friends of the Earth, Euronature and the Lawyers Committee for Human Rights for their resources, input and support.

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Appendices

INTRODUCTION

Some readers of this Citizens' Guide will want and need to read BIC's series of guides on each of the multilateral development banks (MDBs). The series consists of six separate citizens' guides for the World Bank, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the European Bank for Reconstruction and Development and the Global Environmental Facility. This handbook, the first in the series, covers the World Bank. The remaining guides will be produced throughout 1995.

For many readers interest will focus on specific banks or funds because only those MDBs are active in their countries. For this reason, each handbook is self-contained and independent of the others. This approach may account for some redundancy throughout the citizens' guides as a whole, but we hope it will serve readers and users well.

Each handbook is organized along similar lines:

- **A brief history** of how that bank or fund was established, a description of its lending and how decisions are made;
- **A description of the project cycle** or the process by which a loan, grant or other assistance is developed and approved;
- **Opportunities for public participation** mandated by the various banks' own policies, directives and guidelines on indigenous peoples, the environment, information disclosure, etc.;
- **More detailed descriptions of specific bank policies, directives and guidelines** directly relevant to indigenous peoples, their rights and the protection of their territories; and
- **Resource information** such as how to obtain a bank's publications, documents and other materials on projects, the names of key bank staff and how to gain access to bank personnel and resources.

Each section contains boxes summarizing the basic information. Because this handbook is written both for people who are just beginning to study the various banks and for those far more experienced with monitoring MDB projects, **the boxes are used to separate key introductory information from the more detailed text. Information quoted directly from World Bank operational directives and policies appears in bold throughout the text.**

Each citizens' guide includes resource information such as the names of the Executive Directors of each bank. Also included in each handbook are **reprints of key policy directives** described in the text so that readers will have on hand a copy of the policies that apply to their participation in MDB processes.

This *Citizens' Guide* on World Bank policies related to indigenous peoples was completed in November 1994. Many of the Bank's procedures and policies, including those described in this handbook, will be changing in the coming months and years. Some of the advice and recommendations for indigenous peoples and NGO intervention and participation may be affected by those changes. In both the text and in materials contained in the appendices, the Bank Information Center (BIC) has tried to note where and when those changes will occur.

For example, all World Bank operational directives are being revised (see Appendix C). All of the directives described in this guide are slated to be revised sometime in 1995, including the ones on indigenous peoples, environmental assessment and involuntary resettlement. The Bank's project cycle is now under scrutiny and may be different in the future from the process described here. There is also pressure from within the Bank to make social assessments standard practice in the preparation of all Bank-funded projects (see the section on "Other Relevant World Bank Policies and Programs").

In light of these possible changes, the BIC will update this *Citizens' Guide* when the Bank's revisions process is complete and new procedures and practices have been decided. An updated version is unlikely to be written before mid-1996.

Indigenous peoples and NGOs should be aware that changes in one bank often affect the policies and procedures of the other multilateral development banks (MDBs). This has been the case in the areas of information disclosure and the establishment of independent panels to investigate complaints by affected peoples. As part of its process of reorganization, the Inter-American Development Bank is developing an active program in relationship to indigenous peoples. The Asian Development Bank is also in the process of drafting a policy on indigenous peoples.

Staff from the different MDBs also meet to discuss issues of common concern. For example, there are regular inter-agency meetings between the staff of the various MDBs on standardizing environmental assessment policies and procedures. Staff from the MDBs also meet with their counterparts at the International Labor Organization (ILO) and the United Nations Centre on Human Rights to discuss indigenous peoples policies and programs.

After March 1995, inquiries regarding the schedule for producing the other citizens' guides on the regional MDBs may be sent to: Indigenous Peoples Program, Bank Information Center, 2025 "I" Street NW, Washington, D.C. 20006, USA.

Contents

THE WORLD BANK

SUMMARY: THE WORLD BANK

- The World Bank is the largest multilateral development organization in the world.

- In 1994, the World Bank made nearly US$ 21 billion in new loan commitments to developing nations from its two main funds, the International Bank for Reconstruction and Development and the International Development Association.

- The World Bank's principal relationships are with governments: those that contribute resources to the World Bank and those that borrow funds to finance projects in their countries.

- Of all the multilateral development banks, the World Bank has the most comprehensive policy statements on:

  a) Indigenous Peoples;
  b) Environmental Assessment; and
  c) Information Disclosure.

- Throughout the multi-year process of loan approval and implementation, World Bank policies require consultation and public participation opportunities.

- The degree and quality of public participation in World Bank projects is still evolving. It depends upon clear signals of support from Bank management and the Board of Executive Directors and the provision of adequate resources. *In practice*, it depends significantly on:

  a) public access to basic information on loan projects;
  b) the willingness and ability of governments and the Bank to provide meaningful opportunities for citizens to participate in influencing a project;
  c) the ability of local non-governmental organizations and affected communities to take advantage of opportunities for public participation on specific loan projects;
  d) the specific World Bank personnel involved in a project; and
  e) the specific government officials and agencies in the borrowing country involved in the loan project.

Background

In the aftermath of World War II, a series of meetings were held by the western powers to map out a new international economic framework. These meetings, known as the Bretton Woods Conference, established the World Bank in 1946 as a multilateral institution to help finance the reconstruction and development of war-ravaged Europe. They also established the International Monetary Fund (IMF) to stabilize currencies and provide short-term balance of payment loans.

The World Bank's work with Western Europe was completed decades ago. Most of the Bank's focus in recent times has been in the developing world. According to its *1994 Annual Report*, World Bank lending totalled nearly US $21 billion for 228 projects, making it the single largest international development organization in the world. From its 45 founding member nations, it has grown to 178 member countries in 1994. The demise of communism in Eastern Europe and the former Soviet Union has brought not only a new wave of memberships but the demand to extend resources to these states as well.

The World Bank's financial system begins with money that member governments give outright to the Bank (paid-in capital) and money governments promise to give the Bank upon request (callable capital). These direct contributions and pledges amount to international government guarantees for World Bank loans. This arrangement allows the Bank to borrow money on the world capital markets at a low rate and then to make loans to eligible countries.

THE FOUR FUNDS OF THE WORLD BANK

The World Bank is a group of four multilateral development institutions: (1) the International Bank for Reconstruction and Development (IBRD), (2) the International Development Association (IDA), (3) the International Finance Corporation (IFC) and (4) the Multilateral Investment Guarantee Agency (MIGA). A fifth facility, the International Center for Settlement of Investment Disputes, was added in 1966 to provide conciliation and arbitration services for disputes between foreign investors and host governments that arise directly out of an investment. (This facility is not covered in this handbook.) Although all these funds are combined under the title of the "World Bank Group," when people speak of the World Bank, they are generally referring to the IBRD and the IDA because these two institutions loan or grant development funds directly to developing nations.

The International Bank for Reconstruction and Development (IBRD)

As of June 1994, there were 177 countries listed as members of the IBRD. The IBRD lends to developing countries with relatively high per capita incomes. The loans are made on fairly conventional terms, except they generally have a grace period of five years and must be repaid during periods ranging from 15 to 20 years. According to its *1992 Annual Report*, the IBRD **"must lend only for productive purposes and must stimulate economic growth in the countries in which it lends. It must pay due regard to the prospects of repayment. Each loan is made to a government or must be guaranteed by the government concerned. The IBRD's decisions to lend must be based on economic considerations alone."**

The bulk of the IBRD's funds for lending is borrowed on the capital markets and from government and central banks. Thanks in particular to the guarantee of governments pledged capital (the uncalled portion of its capital), the World Bank can borrow on favorable terms. The IBRD lends money for slightly more than it costs the Bank to borrow, but at rates that are more favorable for most borrowing countries than they could obtain on the open market. The interest on World Bank loans to developing countries changes every six months. The interest rate on IBRD loans

OVERVIEW OF THE WORLD BANK GROUP

The World Bank was established in 1946. It consists of four separate funds:

1) **The International Bank for Reconstruction and Development (IBRD)**
Founded: 1946
Purpose: To lend at market rates for development and investment projects in developing countries with relatively high per capita incomes.
Lends to: Governments or government-guaranteed projects.
Source of funds: (1) Member governments of the IBRD contribute money outright or guarantee its bonds on international capital markets. (2) Retained earnings from repaid loans and interest.
Loan commitments worldwide in 1994: US$ 14.24 billion.

2) **The International Development Association (IDA)**
Founded: 1960
Purpose: To lend at less than market rates to the poorest developing countries (annual per capita income less than US$ 1,345).
Lends to: Governments or government-guaranteed projects.
Source of funds: (1) Donor governments of IDA give money through direct contributions called "replenishments." (2) Some of the profits from the IBRD and repayments of IDA credits.
Loan commitments worldwide in 1994: US$ 6.59 billion.

3) **The International Finance Corporation (IFC)**
Founded: 1956
Purpose: To develop private sector business in developing countries.
Lends to and invests in: Businesses.
Source of Funds: (1) Member governments guarantee its bonds on international capital markets. (2) Profits from its retained earnings.
Financing, loans and investments worldwide in 1994: $US 2.5 billion.

4) **The Multilateral Investment Guarantee Association (MIGA)**
Founded: 1988
Purpose: To provide political risk insurance for businesses investing in developing countries.
Lends to: No one. Insures private business contracts.
Source of Funds: (1) Member governments guarantee its insurance policies. (2) Income earned from premiums and commitment fees.
Contracts issued for coverage (insurance) in 1994: US$ 373 million.

Organization: A Board of 24 Executive Directors voting on behalf of all 178 member countries of the World Bank meets several times each month to consider all IBRD and IDA projects and to review World Bank policies. The Board of Governers meets annually.

in September 1994 was 7.10 percent.

To illustrate the scope of its lending, according to its *1994 Annual Report*, the IBRD committed US $14.2 billion for 124 new loans to 52 countries. The recipients were Algeria, Angola, Argentina, Azerbaijan, Barbados, Belarus, Belize, Brazil, Bulgaria, Chile, China, Colombia, Costa Rica, Croatia, Czech Republic, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, Fiji, Gabon, Guatemala, Guyana, Hungary, India, Indonesia, Iran, Jamaica, Jordan, Kazakhstan, Kyrgyz Republic, Latvia, Lebanon, Lesotho, Lithuania, Macedonia, Malaysia, Mauritius, Mexico, Moldova, Morocco, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Romania, Russia, Slovak Republic, Slovenia, South Africa, South Korea, Swaziland, Thailand, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Ukraine, Uzbekistan, Uruguay, Venezuela and Zimbabwe.

The International Development Association (IDA)

The IDA was created in 1960 and was designed to provide assistance to the poorer developing countries on terms that would bear less heavily on their balance of payments than would IBRD loans. IDA assistance therefore is provided to the poorest countries—those with annual per capita incomes of less than $1,345. However, most of IDA's loans are concentrated on countries with annual per capita incomes of $835 or less.

Whereas money distributed by the IBRD is deemed a "loan," funds paid out by the IDA are called "credits." IDA credits, which are made only to governments, have 10-year grace periods, must be repaid in 35 or 45 years, and are charged no interest. (There is an administrative charge and a fee on undisbursed credits.) Although IDA credits are nominally loans that must be repaid, the lack of interest charged, the grace period and long maturity virtually add up to grant aid. Thus IDA requires frequent infusions of new contributions from its 156 member nations and is vulnerable to shifts in the political climate for development aid. Unlike the IBRD, which borrows money on the world financial markets, the IDA funds are mostly direct contributions, called "general replenishments," from IDA's more industrialized and developed donor countries.

The World Bank holds IDA replenishment discussions approximately every three years. The last round—IDA 10—was completed in 1993. Negotiations on IDA 11 will begin in 1995 and will be completed by 1996. Past IDA negotiations have presented an opportunity for non-governmental and grassroots organizations in several nations to raise concerns about World Bank policies and practices directly with their own government representatives. In response, some of these governments pushed for World Bank reforms in such areas as information disclosure, environmental standards and increased public participation.

According to its *1994 Annual Report*, the IDA committed a total of US $6.59 billion in new credits for 104 projects in 48 countries: Albania, Angola, Armenia, Bangladesh, Benin, Bhutan, Bolivia, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, China, Comoros, Congo, Cote d'Ivoire, Djibouti, Egypt, Eritrea, Ethiopia, Gambia, Georgia, Ghana, Guinea, Guinea-Bissau, Guyana, Honduras, India, Kenya, Kiribati, Kyrgyz Republic, Laos, Lesotho, Macedonia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mongolia, Mozambique, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Sri Lanka, Tajikistan, Tanzania, Togo, Uganda, Vanuatu, Vietnam, Western Samoa, Yemen, Zambia and Zimbabwe.

The International Finance Corporation (IFC)

The IFC was established in 1956 to promote economic growth through the private sector. The IFC invests in commercial enterprises and mobilizes domestic and foreign capital for loans and equity financing. It is the largest multilateral source of direct financing for private sector projects in developing countries. According to its *1993 Annual Report*, the IFC also offers **"a full array of advisory services and technical assistance in such areas as capital market development, corporate restructuring, risk management, and project preparation and evaluation, and advises governments on creating an environment that encourages the growth of private enterprise and foreign investment."** Membership in the IBRD is a prerequisite for membership in the IFC, but legally and financially the IFC and the IBRD are separate entities. The IFC has adopted its own policies on information disclosure, with standards and procedures less transparent than the policy adopted by the World Bank. (The IFC's information disclosure policy is reprinted in Appendix D.)

In fiscal year 1994, the IFC approved financing of $2.5 billion for 231 projects and activities carried out by the private sector in 65 countries.

The Multilateral Investment Guarantee Agency (MIGA)

The MIGA was established in 1988 to promote private foreign direct investment in developing countries. The MIGA guarantees or insures investments made by foreign investors against "political risks" in developing countries and provides promotional and advisory services to assist member countries in creating an attractive climate for private foreign direct investment. As described in the Bank's *1992 Annual Report*, the MIGA provides investment insurance coverage against "political risks" in four main categories: Currency transfers, expropriation, war and civil disturbance, and breach of contract. To create a "more receptive environment" for foreign investment, the MIGA advises governments on policies, programs, legal and regulatory frameworks and other procedures related to foreign investments. It also sponsors conferences for the international business community and governments on investment issues.

ORGANIZATION OF THE WORLD BANK: THE BOARD OF GOVERNORS AND THE EXECUTIVE DIRECTORS

The World Bank multilateral facilities are owned by and are accountable to the member governments. These governments exercise their ownership through the Board of Governors and the Board of Executive Directors.

Under its Articles of Agreement, all World Bank powers are vested in a Board of Governors, which consists of one governor from each member country. A nation's governor is typically that country's minister of finance or the equivalent. Certain important decisions dealing with overall financing and direction of the Bank are reserved for the Board of Governors, which meets only once a year.

The day-to-day business and decision-making of the World Bank are carried out by the Board of Executive Directors and the president. This permanent executive board consists of 24 Executive Directors (EDs), each of whom has an alternate. Their offices are located at Bank headquarters in Washington, D.C. Five of these EDs are appointed by the five member nations with the largest number of shares of capital stock in the World Bank (currently the United States, Japan, Germany, France and the United Kingdom). The remaining 19 represent groups of countries and each is elected by the members of the countries within that group. This is a rotating (not permanent) position. (A list of the Executive Directors is included in Appendix B.)

Voting is weighted by a nation's financial contribution, or its "shares," to the Bank. For example, the countries of Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Spain and Venezuela make up a group represented by one elected Executive Director who in 1994 was from Spain. They jointly cast their vote as a block of shares in the World Bank. In contrast, France has its own Executive Director and commands an entire vote or block of shares. (A list of countries' voting power in the IBRD is included in Appendix B.)

The Board of Executive Directors approves IBRD loans and IDA credits. It meets frequently each month to make these decisions as well as decisions on policy and other matters. Although the Executive Directors do vote formally, most decisions are reached by consensus.

The World Bank president is the chairman of the Board of Executive Directors and serves as the chief of the World Bank operating staff. The president is appointed and may be fired by the Executive Directors. The current president is Lewis T. Preston, who came to the position in September 1991. All the presidents have been U.S. citizens, reflecting the continuing influence of the United States on the World Bank.

THE PROJECT CYCLE AND OPPORTUNITIES FOR GRASSROOTS AND PUBLIC PARTICIPATION

World Bank projects are identified in on-going discussions between the World Bank and a recipient country's government on the problems and needs of that country. The process through which a loan or credit program is developed is known as "the project cycle" and consists of six stages: 1) identification, 2) preparation, 3) appraisal, 4) negotiation and presentation to the Board of Executive Directors, 5) implementation and supervision and 6) evaluation. In fiscal year 1994, 228 new projects were approved for IBRD and IDA funding.

This section describes the project cycle and the application of World Bank policy directives relevant to indigenous peoples and nongovernmental organizations (NGOs) at each stage of the cycle. **A detailed description is included on the concrete opportunities for grassroots participation at each stage of the cycle as mandated by World Bank policies on the environment, indigenous peoples, resettlement and the role of NGOs.** The degree of involvement in monitoring and influencing Bank projects will depend, of course, on the capacity, priorities, and desire of indigenous peoples and NGOs in each country.

In the next section, "World Bank Policies Relevant to Indigenous Peoples," several policies are described in detail. They are also reproduced in full in Appendix D. In the section "World Bank Information, Resources and Contacts," key publications are described and information is included on how to obtain them at little or no cost.

Several World Bank directives require or include public participation at various points in the project cycle. These directives include **Indigenous Peoples** (OD 4.20), **Involving Nongovernmental Organizations in Bank-Supported Activities** (OD 14.70), the **Disclosure of Operational Information** (BP 17.50) and **Environmental Assessment** (OD 4.01). Regarding the latter, the three-volume *Environmental Assessment Sourcebook 1991* (the *Sourcebook*), explains in detail both the application of OD 4.01 and steps for public participation and consultation with indigenous peoples, NGOs and affected communities. Since its publication, sections of the Sourcebook have been replaced or supplemented periodically with *EA Sourcebook Updates.*

Each of these policies provides indigenous peoples and organizations with opportunities to be involved directly in planning, designing, questioning, challenging, implementing and evaluating World Bank projects under consideration in their countries and territories. The earlier the involvement, the more likely public views may be taken into consideration.

SUMMARY: THE PROJECT CYCLE

Before individual projects are discussed, the World Bank and the government of a borrowing country agree upon a Country Assistance Strategy. This strategy is based upon an analysis of the country's economic strengths and weaknesses and its development needs. From the time an individual project is identified to when the Board of Executive Directors meets to vote upon its approval, the process takes, on average, 27 months.

- **Identification Stage:** The Bank and the borrowing government identify a project that meets one or more of its development objectives as outlined in the Country Assistance Strategy. By the end of this stage, an environmental classification is determined for the project based upon its impacts on the land, natural resources and people in its target area.

- **Preparation Stage:** The borrowing government carries out studies, technical and economic analyses of the project and public consultations with interested and affected parties. When an environmental impact assessment is needed, the government must complete one and make it available to the public by the end of the preparation stage. It is this stage where Bank policies mandate the most consultation and public participation with NGOs and affected peoples.

- **Appraisal Stage:** The World Bank sends staff and consultants to a country to determine whether a project is worth funding and whether the borrower government has properly prepared for the project to meet the goals outlined in the identification stage. Groups may request meetings with the Bank appraisal team. At the end of this stage, the Bank drafts a Staff Appraisal Report (SAR) providing a comprehensive review of the project and recommends the terms and conditions of the loan.

- **Negotiations and Action by the Board of Executive Directors:** The World Bank and the borrowing government negotiate the measures necessary to carry out the project, including any environmental or social conditions. A financial agreement defining the terms of the loan is signed and all legal documents are drawn. The final version of the SAR is written and presented to the Board, along with a report from the president of the Bank. The Board then votes upon the loan.

- **Implementation and Supervision:** Funds are released to the borrowing government and the project begins. The World Bank monitors the project to ensure that the conditions and terms negotiated are being met.

- **Evaluation:** After all funds have been disbursed, the project staff or the borrowing government writes a completion report. The Bank's Operations Evaluation Department prepares a separate audit for the Board of Executive Directors.

The Identification Stage

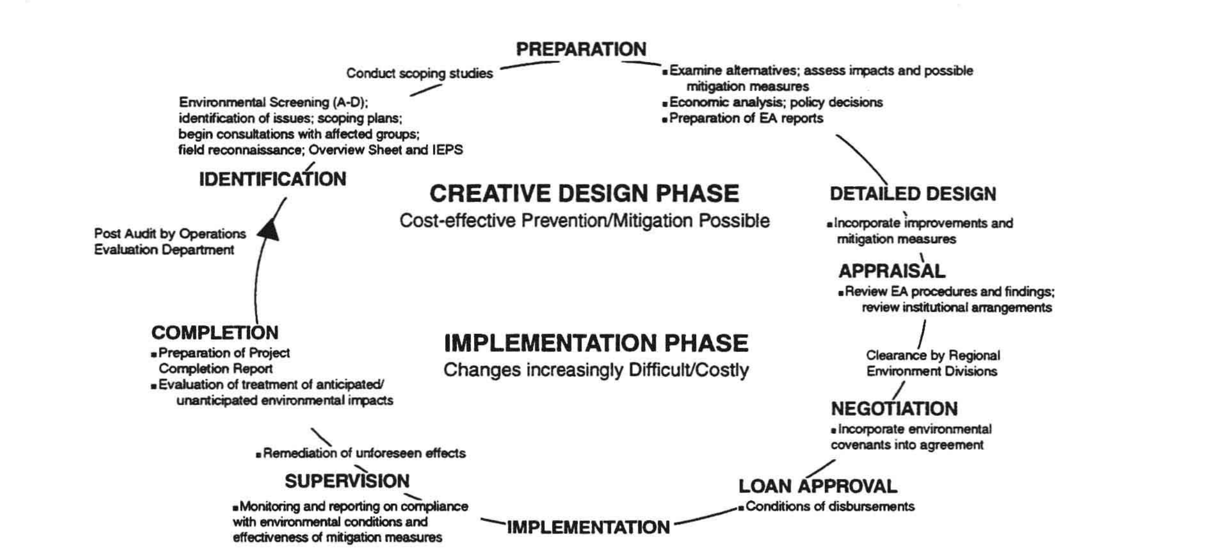
The idea for a project often arises out of existing work in the recipient country and is part of a continuing dialogue between World Bank staff and government officials of the recipient country. Before any project is identified, the World Bank and the borrowing government will have agreed upon a Country Assistance Strategy. The strategy is based upon a series of studies and analyses of the country's economic strengths and weaknesses. Collectively these studies are known as Economic and Sector Work (ESW). They define key development issues, needs and potentials.

Although there are no specific policy mandates requiring public input in these early discussions between the Bank and the borrowing government, there is the potential for increased participation in setting development priorities. In recent years, there has been increased involvement of NGOs in ESW studies, for example in the area of poverty assessments. In the September 1994 Bank report, *The World Bank and Participation*, one of the recommended strategies for increased participation in Bank projects is to make the degree to which community participation is occurring an explicit focus of Bank-government dialogue and the Country Assistance Strategy (see "World Bank Information, Resources and Contacts," the section on "Key Publications"). Indigenous peoples and NGOs should consider developing a relationship with the Bank's Resident Mission staff in their country to discuss development priorities and areas of interest. The Resident Mission should hear directly from indigenous peoples and NGOs how participation could be improved in Bank planning and project design.

The **Identification Stage** formally begins when the recipient government requests money or other assistance from the World Bank. Identification can take several weeks, and often as long as a year. During this period, the World Bank performs economic and sectoral analyses to help in its decision-making regarding appropriate projects.

During identification, a proposal is screened by Bank staff and assigned an environmental assessment category based on the **"type, location, sensitivity, and scale of the proposed project, as well as the nature and magnitude of its potential impacts"** (Operational Directive 4.01 - Annex E/Environmental Screening). OD 4.01/Annex E defines sensitivity as referring to **"issues such as impacts that are irreversible, affect vulnerable ethnic minorities, or involve involuntary resettlement."**

Environmental Assessment and the Project Cycle



Source: World Bank; *Environmental Assessment Sourcebook*, Volume I (1991)

SUMMARY: THE IDENTIFICATION STAGE

- The World Bank and the borrowing government agree upon a project to meet basic development objectives.
- An environmental assessment category is assigned to the project.
- The World Bank and the borrowing government hold interagency meetings and other opinion-gathering discussions. They may include discussions with NGOs and potentially affected communities.
- The Terms of Reference (TORs) for the project are defined. TORs include the types of studies, reports and background materials to be prepared; the nature of consultations with the public and other interested parties; the kind of technical questions to be studied and answered; and the environmental and social impacts to be studied and evaluated.
- **The World Bank determines whether the project will affect indigenous peoples. If so, the Bank must inform the borrowing government that the Bank's indigenous peoples directive (OD 4.20) applies to the project.**
- The potential for resettlement must be identified at this stage. If there may be resettlement, particularly involuntary resettlement, then the Bank's policies on resettlement must be incorporated into the project.

In screening, the Task Manager (TM), the Bank staff person responsible for overseeing development of the project, and the borrowing government review the project proposal and determine the type of environmental assessment that is needed. This designation is then published in the "Monthly Operational Summary" (MOS), a monthly World Bank publication that contains basic information on all proposed World Bank projects (see "World Bank Information, Resources and Contacts," the box on the MOS in the section on "Key Publications and Resources"). Projects are assigned to one of three environmental categories:

- Category A requires a full environmental impact assessment because the adverse impacts are likely to be significant;
- Category B requires an environmental analysis, although not a full assessment, because few of the impacts are determined to be irreversible or remedial measures can be more easily designed; or
- Category C projects do not require any environmental assessment because the impacts are judged to be negligible, insignificant or minimal.

For screening purposes, the World Bank recommends convening "interagency" meetings to bring together national, provincial and local government agencies and other interested parties. At these meetings are determined the environmental and social issues to be considered in connection with the project. Also determined are the background information and studies needed for the technical and administrative aspects of the project, or whether to move the environmental assessment forward, or to evaluate the potential social impacts of the project.