

Analytical Paper on Environmental Mainstreaming and Environmental Sustainability
Raising the Bar Towards Sustainability

Concept Note

1. Background

The World Bank Group (WBG) is preparing a new Environment Strategy that is expected to be completed by December 2010. As a central mandate, the WBG has an enduring commitment to ensure that its support to client countries leads to sustainable outcomes, that is, development results that are economically, socially and environmentally sustainable. The process of preparation of the new Environment Strategy aims to identify (i) key areas in which the WBG should engage to support its internal and external client base to more effectively address environmental priorities and move toward greater environmental sustainability and; (ii) best approaches to pursue the environmental sustainability of the Bank Group's operations. The Concept Note for the new Environment Strategy was discussed by the Bank's Committee on Development Effectiveness (CODE) on May 18, 2009.

The World Bank prepared its first environment strategy in 2001, published under the title *Making Sustainable Commitments: An Environment Strategy for The World Bank*. The overall goal of that strategy is to promote environmental improvements as a fundamental element of development and poverty reduction strategies and actions. At the core of the 2001 strategy was the mainstreaming or incorporation of environmental considerations in activities of economic sectors (e.g. energy, water supply, urban development, rural development, transport etc). This strategy sought to move beyond the 'do no harm' principle, embodied in the Bank's environmental Safeguard Policies toward 'doing good', by 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.

2. Context

The preparation of the new Environment Strategy is underpinned by a series of analytical papers, which together with the findings from extensive consultations with external and internal stakeholders, will inform the contents of the new Strategy. One of these papers addresses a more ambitious aim of a yet undefined "next step" in the spectrum of WB environmental efforts – a move towards environmental sustainability - as signaled in the Concept Note for the proposed 2010 Environment Strategy. This paper intends to inform the discussion about the nature of this "next step" drawing from a realistic assessment of results to date, similar efforts from partners, new thinking on sustainability from outside sources, and the informed opinions of the paper's audience. It recognizes that the term "Environmental Sustainability" has different meanings to different stakeholders, depending on various factors such as, for example, planning time horizon (e.g., the year's business cycle, an administration's duration, a life-span); existence of binding

constraints (e.g. ability to reach political consensus on needed reforms, institutional capacity, and fixed resources to meet development priorities). Furthermore, developing country stakeholders might think of sustainability from a standpoint of affordability, particularly when explicit trade-offs are inevitable, for example, when win-win opportunities have been exhausted.

For the purposes of understanding the terminology used in this paper, the examination of “mainstreaming” will refer to the assessment of the extent to which environmental concerns are fully internalized into all Bank activities as defined in the 2001 Strategy and the impact of environmental content in sector and economic activities supported by the World Bank and the degree to which this assistance has made a difference in client countries’ own environmental mainstreaming efforts. The examination of “environmental sustainability” will seek to understand to what extent the incorporation of environmental risk considerations is being and could be improved in the design and implementation of operations that support investments, policy reforms and technical assistance, in order that the Bank could more proactively ‘do good’. It is envisaged that this paper will contribute to the articulation of forward-looking principles and concepts that embody environmental sustainability, which will be informed by the consultations and through the process of preparing this paper.

3. Audience

The target audience for this paper is World Bank Group staff and management and, external stakeholders interested in learning about the status and future direction of the institution’s efforts to support its clients in achieving environmentally sustainable outcomes.

4. Objectives

The proposed analytical paper has the following objectives:

- (i) To assess past progress in pursuing environmental mainstreaming across the spectrum of WB services provided to developing country clients and shareholders. Looking back at the past 7 years of implementation of the 2001 strategy and across all products and services of WB and IDA, the paper seeks to find out to what extent the mainstreaming objectives of the 2001 strategy have been broadly achieved.
- (ii) To initiate the development of a blueprint to guide future WB environmental sustainability efforts. Given the diverse viewpoints about the meaning of environmental sustainability as illustrated above, this paper will seek to contribute to the articulation of a set of principles for environmental sustainability to guide World Bank operations in a post-2010 development context, per the Concept Note for the Environment Strategy.
- (iii) To inform the development of an improved results framework for environmental sustainability, as proposed in the Concept Note for the new Strategy, in the context of results measurement efforts currently underway.

5. Scope and Methodology

(a) **Assessing past progress in environmental mainstreaming.** This section will consist of the following sections:

- (i) ***Retrospective assessment of the World Bank's mainstreaming efforts.*** This assessment will seek to assess progress made on the strategic focus areas of the 2001 Environment Strategy as summarized in the Strategy Implementation and Monitoring Matrix.¹ As part of this assessment, the paper will examine the composition of the operational portfolio and Analytical and Advisory Activities (AAA), trends in nature and monetary volume of Bank products, thematic coverage and available lending and non-lending instruments. In addition, the effectiveness of key tools, mentioned in the 2001 Strategy, to promote environmental mainstreaming in operations, for example strategic and country-level assessments and analyses, will be assessed. The challenges to and opportunities for maximizing their effectiveness will also be examined. The assessment will look inward by comparing environmental mainstreaming efforts with other Bank efforts to mainstream cross-cutting thematic areas, such as governance and gender, for example; and outward by comparing with similar efforts by other multilateral development banks and development partners. The assessment will also consult external sources that have assessed World Bank development effectiveness as it relates to the environment.
- (ii) ***Relevance of World Bank to country sustainability efforts.*** This aspect will seek to “test” the relevance of World Bank support to clients’ reform efforts and programs related to environmental mainstreaming through the use of country case studies. Furthermore, the impact of World Bank efforts can be compared with similar efforts by other development partners. The paper will also examine the context and challenges to promoting mainstreaming at the country level. The paper will also assess if and how World Bank efforts in addressing global environmental problems have contributed to strengthening the impacts of country-level environmental mainstreaming efforts.
- (iii) ***Internal resources, organization and incentives.*** While recognizing the prevalent country-led assistance model for World Bank assistance to countries, this section will examine the challenges of promoting a cross-cutting topic such as environment by drawing on a staffing analysis; past and ongoing work on the limitations of the matrix organization; lessons learned from previous efforts to provide incentives to promote mainstreaming and; reform efforts by the Bank’s Operations, Policy and Country Services department (OPCS). In addition, the paper will examine the impact of the June 2006 merger of the infrastructure units with the environment, social and rural development units into a Sustainable Development Network (SDN). Furthermore, the role of factors such as the emergence of new agendas (e.g. climate change, regional

¹ This matrix can be found on Pages xxxiii-xxxv of the 2001 Environment Strategy document, *Making Sustainable Commitments: An Environment Strategy for the World Bank*.

initiatives and emergencies), and the country-led business model, on the depth environmental mainstreaming efforts and the results thereof will be examined.

(b) **Initiating the development of a blueprint to guide future WB environmental sustainability efforts.** In the context of the World Bank's exploration of its role through the financial crisis and beyond, this section proposes to (i) discuss a set of macro-level themes to explore how a vigorous WBG response to environmental challenges could position it to better serve its clients and stakeholders; and, (ii) conduct conversations with on-the-ground practitioners (staff, selected country teams, Sector Boards and other internal and external stakeholders), to ensure that the outline of a blueprint towards sustainability is grounded on realistic assessments of client countries' own development dynamics and the World Bank's capacity to influence those dynamics.

The macro-level themes will address the relationship between environmental concerns and potential key drivers of World Bank business in 2010 and beyond. Some of the themes proposed include: (a) *equity and sustainability*. Equity considerations emerge in considering responses to local and global environmental challenges – why, for example, has it proven so hard to make polluters pay (within and across nations) or beneficiaries account for the true costs of resource depletion? What is the gradual pathway for developing country institutions to generate more equitable solutions in the areas of natural resources management and environmental quality?; (b) *consumption and production patterns*. Various scholars and practitioners argue that the globalized economy propagates a pattern of consumption and production that drives pollution and resource depletion, undervaluing natural assets, ultimately rendering development unsustainable. What is the WBG response to this challenge as it seeks to promote “inclusive and sustainable globalization”? How would promoting competitiveness look like when examined through a sustainability lens? Is an attempt by the WBG to measure its operations environmental footprint (be it in carbon or other terms) of its lending operations if most other activities in the globalized economy are unsustainable? (c) *looking beyond traditional development finance*. Will an enhanced role in non-traditional areas of development support such as knowledge generation, global public goods and financial innovation strengthen the WBG to become a leader in environmental sustainability? Furthermore, how should delivery of these services be differentiated for lower income and middle income countries?

The conversations with on-the-ground practitioners will seek to elicit greater detail about the sustainability dimension of existing World Bank sector strategies (transport, urban, rural development, water supply and sanitation) and new sector strategies (energy and water resources management) with a view to understanding if sustainability can be tangibly assessed in the sector portfolios and what types of arrangements and processes are required to facilitate such assessments. This section will seek to understand lessons learned to date on sector efforts to establish clear targets and/or to monitor sustainability aspects more explicitly, such as, for example, the energy sector tracking of the “Bonn Commitments” in renewable energy and energy efficiency; the rural development sector efforts to track content in projects that address improvements natural resources management; and the water sector's tracking of characteristics of water resources management support (e.g., addressing groundwater issues). These conversations with practitioners will be complemented with review of the state of the art in

measurement of sustainability and examination of its applicability to World Bank development assistance.

(c) **Inform the development of an improved results framework for environmental sustainability.** This section will seek to translate the conclusions of discussions in the preceding section and generate proposals for a strengthened results framework for environmental sustainability. This section would draw from ongoing efforts to improve the World Bank's results measurement framework and propose options for improving the current practices by the relevant internal partners (sector anchors, regions, OPCS, etc.). Examples of international practice on results measurement will be drawn, as appropriate, to inform the development of these options. Resource and organizational implications will also be examined.

6. Expected Outcomes and Output

The expected outcome of this analytical paper would be a more effective approach within the WBG to supporting clients in achieving environmentally sustainable development outcomes. The main output of this task will be an analytical paper that will inform the preparation of the new World Bank Group Environment Strategy. The expected paper will tentatively be organized along the following sections:

Section 1. A Retrospective of IBRD/IDA mainstreaming efforts.

Section 2. Relevance of Bank support to clients' mainstreaming efforts (Case Studies).

Section 3. Internal incentives, organization, resources relevant to mainstreaming.

Section 4. A preliminary blueprint for future sustainability efforts.

Section 5. Results Framework Options for discussion.

7. Quality Assurance and Client Consultation

Peer reviewers for this Concept Note are: (i) Internal - Hocine Chalal (Regional Safeguards Advisor, MNACS), Martin Gambrill (Senior Water Engineer, LCSUW), Dan Biller (Lead Economist, SASSD), Chandrasekar Govindarajalu (Senior Energy Specialist, MNSEG) (ii) External – Stephen Bass (Senior Fellow, International Institute for Environment and Development).

The analytical paper will undergo internal and external consultations that will be linked to the Environment Strategy consultations. The internal consultation will include: concept note review, BBLs as part of the Environment Strategy Green Bag Lunch series, posting of the Concept Note on the internal consultations website, meetings with sector colleagues and Sector Boards.

Consistent with the overall approach presented in the Consultation Plan for the development of the new WBG Environment Strategy, the proposed paper will be developed in a consultative

manner. To this end, the task team will seek to engage the audience for this paper in the development process and incorporate feedback, as appropriate, from the initial stages through to the final stages of preparation. External consultations in the regions will be organized in coordination with regional colleagues and their assistance will be sought on identifying specific stakeholders. Consultations will take place with development partners and through global consultation events, as appropriate. Consultations will involve face-to-face and web-based sessions, as appropriate.

8. Links to other Activities

Existing and ongoing WBG work - A number of existing pieces of work will be drawn upon in the preparation of this paper. These include: (i) the 2001 World Bank Environment Strategy; (ii) 2008 Sector Strategy Implementation Update; (iii) 2008 IEG evaluation of WBG support for environmental sustainability; (iv) 2009 IEG Review on Climate Change and the World Bank Group; (v) 2009 Annual Review of Development Effectiveness: Achieving Sustainable Development; (vi) relevant strategic documents addressing environmental issues from annual and spring meetings); (vii) Sector strategies for rural development, urban development; (viii) ongoing review of IFC's Sustainability Policy and Performance Standards; (ix) Bank reviews on SEAs and CEAs; (x) relevant World Development Reports including for 1992 on Development and the Environment, 2003 on Sustainable Development in a Dynamic World, 2009 on Reshaping Economic Geography, 2010 on Development and Climate Change; (xi) FY 2008 Agriculture and Rural Development Portfolio Review; (xii) 2009 Water Sector Portfolio Review; (xiii) Renewable and Energy Efficiency reports on Bonn Commitments, low carbon studies.

Ongoing analytical work underpinning the new Strategy – This work will also coordinate with other ongoing analytical work that is being conducted on the following areas, to underpin the new Strategy, including: (i) operational policies, conflict resolution mechanisms and use of country systems; (ii) environmental institutions and governance; (iii) environment, poverty and development; (iv) greening agenda and innovative financing; (v) IFC position paper on environmental sustainability (to be confirmed).

Work from external (private sector, public sector, research institutions etc) sources on sustainability definitions and metrics - A literature review will be undertaken of private and public sustainability definitions and metrics. This includes work by research organizations such as IIED's 2009 Environmental Mainstreaming Initiative; national frameworks and those guiding bilateral and multilateral development assistance (e.g., for the EU and individual EU members, New Zealand, Australia, USAID, other MDBs), as well as major private financial institutions and NGOs. Other relevant literature produced by development partners (e.g. OECD, UNEP, UNDP); academia, environmental think tanks such as the World Resources Institute; International Energy Agency, and others.

9. Resources

The task will be carried out by a core team comprising Yewande Awe (ENV), Laura Tlaiye (CMD), Tracy Hart (ENV), and Eri Tsutsui (Consultant, ENV). In addition the team may draw from a number of colleagues in the SDN Anchor units in charge of portfolio monitoring, as well as regional staff. It is envisaged that this effort requires between 20 – 25 staff weeks.

10. Timetable and Delivery Schedule

Item	Date
Concept Note Review	December 10, 2009
Decision Meeting	April 1, 2009
Delivery	April 15, 2009

Annex 1: Timeline for Preparation and Consultation

Step	Start Date	End Date
1. Concept Note (CN) Delivery .	Ongoing	Nov. 30
2. Internal consultations on CN : <ul style="list-style-type: none"> • Distribution for Review Meeting. • Hold a BBL to present CN to relevant staff. • Interviews with focal points in regions preparing inputs for Strategy; • Bank Group Concept review. 	Nov. 15/09	Dec. 10
3. External consultations on the concept note: <ul style="list-style-type: none"> • Link with the regional and IFC consultation plans • Post the concept note on website for public comment / feedback 	Dec 10/09	Jan 31/10
4. Prepare draft analytical paper.	Nov 15/09	Mar 15/10
5. Internal consultations: <ul style="list-style-type: none"> • Present findings of retrospective and country case studies to regional focal points, ENV Sector Board. • Hold brainstorming sessions on new blueprint, including addressing with Sector Boards improved sustainability results framework • BBLs with staff to present draft analytical paper. • Share with peer reviewers. 	Dec 15/09	Feb 28/09
6. External consultations on the draft analytical paper on pollution management: <ul style="list-style-type: none"> • Share on website for public comment / feedback. • Link to consultations planned in the region. • Hold consultations in key countries in different regions (to be identified during the concept note preparation). 	Jan 15/10	Mar 15/10
7. Finalize the analytical paper	Mar 15/10	Apr 15/10

ANNEX 2: LIST OF LITERATURE (PRELIMINARY)

CIESIN 2005. 2005 Environmental Sustainability Index: Benchmarking National Environmental Stewardship. Center for International Earth Science Information Network.

IEG 2004. Addressing the Challenges of Globalization. An Independent Evaluation of the World Bank's Approach to Global Programs.

IEG 2008. Supporting Environmental Sustainability: An Evaluation of the World Bank Group Experience.

IEG 2009. Climate Change and the World Bank Group: Phase I – Evaluation of World Bank Win-Win Energy Policy Reforms.

IIED (2009). The Challenges of Environmental Mainstreaming. Experience of integrating environment into development institutions and decisions. By Barry Dalal-Clayton and Steve Bass. July 13, 2009 <http://www.environmental-mainstreaming.org>

Jeon, Christy Mihyeon and Amekudzi, Adjo 2005. Addressing Sustainability in Transportation Systems: Definitions, Indicators, and Metrics; in Journal of Infrastructure Systems, Volume 1, Issue 1

Robert L. Hicks et al., 2008. Greening Aid? Understanding the Environmental Impact of Development Assistance . Oxford University Press. New York..

Subhas K. Sikdar 2003. Sustainable Development and Sustainability Metrics. Office of Research and Development, U.S. Environmental Protection Agency.

World Bank (2001). Making Sustainable Commitments: An Environment Strategy for the World Bank.

World Bank (2009f) World Bank Development Report 2010: Development and Climate Change, Washington D.C. 2009.