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A. CLASSIFICATION

- ☒ Meeting Material
- ☐ Trips
- ☒ Speeches

- ☐ Annual Meetings
- ☐ Corporate Management
- ☐ Communications with Staff

- ☐ Phone Logs
- ☐ Calendar
- ☒ Press Clippings/Photos

- ☐ JDW Transcripts
- ☐ Social Events
- ☐ Other

B. SUBJECT: United Nations General Assembly Special Session on Agenda 21 (UNGASS) (Earth Summit +5)

Brief Includes Table of Contents and tabs:

- JDW Agenda
- Speech & Speech Background Information
- Speech
- GEF Replenishment
- Carbon
- Renewable Energy
- Market Transformation Initiatives
- WWF Forest Alliance
- CFCs Russia
- Desertification
- Water
- Press Conference Information
- Additional Reference Material
- Green Top Ten
- Difficult Issues
- Carbon
- Dams
- Acute List
- Lunch
- UN Earth Summit +5 Background & Agenda
- Exhibit
- Supporting Materials
- Bank Q & A
- Meeting with James Purcell
- Photo of JDW addressing the nineteenth special session of the General Assembly

DATE: 06/27/97

C. VPU

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- ☐ EXT
- ☐ LEG
- ☐ MPS
- ☐ OED
- ☐ SEC/Board
- ☐ TRE

Regional

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- ☐ EAP
- ☐ ECA
- ☐ LAC
- ☐ MNA
- ☐ SAS

Central

- ☐ CFS
- ☐ DEC
- ☐ ESD
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- ☐ FPR
- ☐ HRO

Affiliates

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Washington, D.C. 20433
U.S.A.

MARK MALLOCH BROWN
Vice President, External Affairs
Vice President, United Nations Affairs

June 17, 1997

Mr. James D. Wolfensohn

*Your Meeting with Mr. James Purcell, Director-General
International Organization for Migration (IOM), June 25, 1997*

Jim:

We have arranged for you to meet for a half-hour with Mr. Purcell of the IOM from 3:15-3:45 p.m. on June 25, just after the luncheon you are attending for the UN General Assembly Special Session. You and Mr. Purcell will meet at the Bank's UN Office, and Alfredo Sfeir-Younis will accompany you.

Jim Purcell has been the Director-General of the IOM since 1988 and has a long career in the U.S. State Department, including with refugees. His CV is attached.

The IOM is not a UN agency although it works closely with the UN, and is organized like agencies such as UNHCR, i.e. with member governments assessed for regular budget, supplemented by voluntary contributions for crisis interventions. IOM enjoys a flexibility comparable to that of a large international NGO in terms of program planning and implementation, and has a very strong field presence.

Mr. Purcell is hoping to increase cooperation between his organization and the Bank as a partner in post-conflict countries.

Sincerely,

Attachments

cc: Mmes./Messrs. C. Koch-Weser, C. Anstey (EXC); J. Armitage (EXTDR); A. Sfeir-Younis, J. Grayson (EXTUN)

INTERNATIONAL ORGANIZATION FOR MIGRATION

I. Main Strategic Issues

IOM is interested in accessing Bank project funds where possible for its programs. The Bank does not presently have funds that can be tapped by IOM, except in projects such as the activity in Mozambique described below.

Progress in Angola

- Mr. Purcell is likely to sound you out regarding the Bank's program in Angola. IOM put in a bid to implement (using PPF funds) a pilot sub-project of the Bank's Post-Conflict Social Recovery Project (FY98) for returnee and internally displaced reintegration. The decision regarding IOM's bid has not yet been taken. At the same time, IOM is experiencing funding shortfalls in its own demobilization programs in Angola.
- Mr. Purcell would be pleased to hear from you that the Bank finds IOM data on population movements, on internally displaced persons (IDPs) and on demobilization of soldiers to be very helpful in our planning. IOM is the main source for information on where refugees are moving and where they are willing to relocate.

Progress in Mozambique

- In Mozambique, IOM played a key role in the demobilization process of some 80,000 Government and RENAMO troops. To facilitate reinsertion and reintegration of the soldiers into civilian life, IOM used counseling, vocational training and employment generation through labor-intensive rehabilitation projects. The Bank developed a Provincial Reintegration Support Program (PRSP) with funds redirected from several ongoing IDA credits. From the Program \$2,000,000 went to IOM as executing partner (together with GTZ and ILO), used from March 1996 to early 1997.

II. Bank Partnerships with the IOM

The Bank has had good experience in the field with IOM (especially in Mozambique and Angola) and we would cooperate with them where appropriate in post-conflict countries. The Bank's new Post Conflict Unit should facilitate these efforts, and IOM has said they would like both to have regular meetings with the Unit and second staff to it.

Most cooperation will involve an exchange of information between headquarters and also field collaboration, concerning refugees, internally displaced persons and demobilized soldiers. Regarding migration, the Bank was represented at the conference on migration in FSU countries a year ago, which both IOM and UNHCR sponsored.

IOM has recently signed a Memorandum of Understanding with UNHCR and UNFPA, and might well want to do the same with the Bank. The Bank's policy is to keep cooperation flexible and country-specific. We are not interested in signing a Memorandum of Understanding. If Mr. Purcell asks why, you can say that we have very few such agreements (FAO is an unusual case) and cooperate effectively without formal agreements.

IOM's programs for demobilization and reintegration of soldiers (e.g. Haiti and Mali) include local governance, community development and micro-credit. These developmental activities broaden IOM's traditional mandate and increase potential contact with the Bank. Modalities for possible cooperation include:

- mechanisms for knowledge sharing and consultation in matters where the impact of migration can and should be factored into the macroeconomic planning for economic growth and ecological concerns;
- use of IOM expertise as Executing Partner and/or as technical assistance to client governments of countries dealing with migration and post-conflict issues.
- the use of micro-credit in rebuilding the livelihoods of migrants.

III. IOM Mandate

The International Organization for Migration is the principal international body concerned with migration and it is considered an effective and experienced agency.

- IOM was formed in 1951 in Europe. It adopted its current name in 1989 to indicate the global nature of its mission to arrange the movement of refugees and migrants to new homes and to promote other migration assistance to ensure orderly migration and integration.
- Since operations began in 1952, IOM has assisted some 8.7 million refugees and migrants to settle in over 125 countries. In 1996, IOM was budgeting to assist some one million migrants, refugees, displaced persons and other individuals.
- IOM's efforts have increasingly been integrated with the UN's coordinated approach to emergencies. In December 1993, the UN General Assembly gave IOM the right to draw on the resources available in the Central Emergency Revolving Fund (CERF), making IOM the first and only non-UN organization authorized to make use of CERF.

Examples of IOM's Work

- IOM arranges international transportation for displaced persons and refugees to countries offering them temporary or permanent protection. Through a tripartite agreement with UNHCR and ICRC, the IOM also serves as the focal point for a Family Reunification Program;

- IOM has helped refugees from the former Soviet Union and Eastern Europe make their way to new homes in the West. IOM has also worked on demobilization and reintegration issues in Guatemala.
- In 1990, during the Gulf crisis, IOM was heavily involved in moving back to their countries of origin displaced foreign workers and their families who had fled Kuwait and Iraq;
- IOM coordinated the return of the Kurdish displaced population in Iraq back to their home villages;
- In the post-war period, IOM is developing a program to assist the return of highly qualified Bosnians whose skills are needed in the initial phase of reconstruction.
- IOM assisted in the relocation of displaced Haitians refugees rescued at sea. In 1995-1996, IOM cooperated closely with UNHCR in Rwanda and Mozambique; IOM has managed a mass evacuation of civilians from the Chechnya conflict.

IV. Staff, Budget, and Membership

- IOM has a staff of 1,280, of whom 150 work at its Geneva headquarters and the others in 70 offices throughout the world. IOM's main governing body, the Council, usually meets once a year, in November.
- IOM's budget for 1996 was Swiss Francs 34 million for the administrative part of the budget and some US\$232 million for operations.
- In January 1996, 59 governments (including the United States) were members of IOM, and 41 others had observer status.

JAMES N. PURCELL, JR.
DIRECTOR GENERAL OF IOM

Mr. James N. Purcell, Jr. was born in Nashville, Tennessee, in the United States of America, on July 16, 1938. He received an undergraduate degree in political science from Furman University in 1961 and a Master's degree in public administration from Syracuse University in 1962.

Mr. Purcell was employed by the United States Federal Government from 1962 until 1988 and was a charter member of the U.S. Senior Executive Service.

He began his career with the U.S. Atomic Energy Commission. In 1966 he moved to the Agency for International Development and in 1968 to the Office of Management and Budget (OMB), in the Executive Office of the President. At OMB, he served as Deputy Director of the Budget Preparation Staff, Senior International Affairs Examiner, and Chief of the Justice/Treasury Branch.

In 1976 he joined the U.S. Department of State in the Bureau of Educational and Cultural Affairs. He later served as Deputy Budget Director for the State Department and as Executive Director for the Bureau of Administration. He began his first assignment with the Bureau for Refugee Programs in 1979, where he served as Deputy Assistant Secretary for Budget and Programs. In 1982, Mr. Purcell was appointed Director of the Bureau for Refugee Programs, with a rank equivalent to Assistant Secretary.

In 1986 Mr. Purcell received the U.S. State Department's Distinguished Honor Award for his outstanding service over many years in the field of refugees and migration.

Elected in 1988 to a first term as Director General of IOM, Mr. Purcell was re-elected for a second five-year mandate in 1993.

Mr. Purcell is married to Jean Primm Purcell and they have two daughters.

January 1996

DRAFT LETTER TO FOREST INDUSTRY CEO'S

Dear Sir,

Five years after the Rio Earth Summit, the management, conservation and sustainable development of the World's forest ecosystems remains one of the major challenges facing the international community as it seeks to implement Agenda 21 and achieve a sustainable future for humanity. The past five years has seen unprecedented high level policy dialogue on forests with both the Commission on Sustainable Development's Intergovernmental Panel on Forests and the Inter-Action Council's World Commission Forests and Sustainable Development. Both have made wide ranging suggestions for action to better conserve and manage the world's forests, and consideration of these suggestions was high on the agenda of the Special Session of the United Nations General Assembly to review progress on the Rio Earth Summit at the end of July.

Despite the passage of the Convention on Biological Diversity and the host of intergovernmental working groups looking at criteria and indicators of sustainable forest management, the inescapable conclusion is that forests continue to be degraded and lost at an unprecedented rate. Furthermore, I am personally convinced that the World will not be able to achieve sustainable development if it cannot achieve improved management, conservation and sustainable development in its forests.

I am also convinced that this can only occur if there is a pro-active partnership of private industry, governments, environmental NGO's and development institutions like the World Bank and other agencies of the United Nations system. Ultimately, however, it is the support and actions of the private sector which will determine whether or not sustainable forms of forest-based development will occur. In this regard, a number of my staff have been working with a small group of forests sector leaders and NGO's to develop a systematic framework for helping private sector innovation in this area - see attached information on the Forest Market Transformation Initiative (FMTI).

I believe that the situation facing the World's forests has reached a critical juncture and that unless we achieve significant changes in the next half decade, options for a sustainable future will be irrevocably lost. I am therefore convening a closed meeting of leading forest sector industrialists, selected NGO leaders and development practitioners to determine what measures we can collectively take to overcome the barriers to the wide-scale adoption of sustainable management practices in the World's forests.

For my part, I am prepared to use the capacity of the World Bank Group to help in any way you think practical. Furthermore, I am prepared to commit the World Bank Group to performance targets for Bank Group in the sector, such as facilitating the creation of at least an additional 50 million ha. protected areas to give more

comprehensive and ecologically representative coverage to forest ecosystems and assisting industry to bring at least 100 million ha. of forests in both the tropical and the temperate and boreal latitudes under demonstrably sustainable management before the year 2005.

To discuss these and other measures that the Bank Group might do to more effectively promote the management, conservation and sustainable development of the World's forests, I am inviting you to join me for a one day meeting to be held at the World Bank in Washington on [xxxxxxx] 1997. I hope you will be able to join me for this important event.

Yours Sincerely,

J.S. Wolfensohn

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DRAFT LETTER TO FOREST INDUSTRY CEO'S SHORTER VERSION

Dear Sir,

The past five years has seen unprecedented high level policy dialogue on forests and. At the end of July last, the Special Session of the United Nations General Assembly reviewing progress since the Rio Earth Summit considered a wide range of suggestions for action to better conserve and manage the World's forests. However, despite all this effort, the inescapable conclusion is that forests continue to be degraded and lost at an unprecedented rate.

I am convinced that more effective forest conservation and management can only occur if there is a pro-active partnership of private industry, governments, environmental NGO's and development institutions like the World Bank. Ultimately, however, it is the support and actions of the private sector which will determine whether or not sustainable forms of forest-based development will occur. In this regard, a number of my staff have been working with a small group of forests sector leaders and NGO's to develop a systematic framework for helping private sector innovation in this area - see attached information on the Forest Market Transformation Initiative (FMTI).

I believe that the situation facing the World's forests has reached a critical juncture. For my part, I am prepared to use the capacity of the World Bank Group to help promote any practical steps that will bring about more effective conservation and management of the World's forests. I am therefore convening a closed meeting of leading forest sector industrialists, selected NGO leaders and development practitioners to determine what measures we can collectively take to overcome the barriers to the wide-scale adoption of sustainable management practices in the World's forests.

I would like to invite you to join me for this one-day day meeting which will be held at the World Bank in Washington on [xxxxxxx] 1997. I hope you will be able to join me for this important event.

Yours Sincerely,

J.S. Wolfensohn

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ATTACK ON WORLD BANK ENERGY PROJECTS

This is an ENV/IEN background note in response to *Changing the Earth's Climate for Business*, a report released on 6/17 by the Institute for Policy Studies (IPS), and three affiliates. The report is highly critical, albeit inaccurate, of the Bank's energy lending record.

The IPS report was targeted at the G-8 Summit in Denver and at UNGASS. **Its main claim is that G-7-based oil, gas and coal corporations reap large profits from World Bank energy loans to developing countries since these corporations are awarded the majority of procurement contracts for Bank-financed energy projects. IPS then concludes that the Bank is, in effect, subsidizing climate change by supporting fossil-fuel-focused energy corporations.**

A few newspapers have written stories on this article. **It is possible that you will be asked to comment on this article at your press conference at UNGASS.**

Response

- ***IPS claim:*** *Bank-financed fossil fuel projects since 1993 (i.e., since the Earth Summit in Rio) will emit over their lifetimes 9.8 billion tons of carbon (or 36 billion tons of carbon dioxide), which is more than ALL current global emissions in a single year of 6.3 billion tons of carbon (28 billion tons of carbon dioxide).*

First, the lifetime emissions will be about 1.6, not 9.8, billion tons of carbon per year. Second, the IPS report compares apples and oranges by comparing one year's global carbon emissions to 20 years of emissions for power plants financed by the Bank. **Annual emissions from Bank-financed energy projects will represent about 1% of average annual global emissions**, equivalent to 2% of average annual emissions of Bank client countries as a group during the next 20 years.

- ***IPS Claim:*** *The Bank invests 100 times more in promoting climate change than averting it.*

Fact: The Bank has provided \$515 million of GEF grant financing for climate change abatement projects (leveraged by an additional \$740 million in IBRD/IDA financing and another \$700 million from other sources) over the last 5 years, for a total value of \$2 billion over five years, or \$400 million per year. This compares to \$9.4 billion worth of fossil fuel-based projects since FY93, which is equivalent to \$2.3 billion per year. **Therefore, when compared with the total annual financing for GEF climate change abatement projects, Bank lending to fossil fuels is about 6 times more, not 100.**

Fact: In addition, Bank projects without GEF components routinely finance improvements in operational efficiency through sector reform and rehabilitation. Macro reforms aided by the

Bank in lending and non-lending operations help to reduce the energy intensity of national economies as is occurring in the economies in transition.

- ***IPS Claim:*** *The Bank's energy strategy undermines the Climate Convention.*

Fact: The Climate Convention recognizes that developing countries need energy for development. World Bank lending to energy is a response to the funding requests from its client countries, who will develop their lowest cost energy resources with or without the Bank's involvement. Bank involvement helps to reduce the overall environmental impact through the introduction of cleaner, more efficient technologies through international competitive bidding.

Fact: The Bank has placed emphasis on energy efficiency since the early 1980s particularly through Technical Assistance, policy reform and other non-lending activities to advise clients on the implementation of efficiency strategies. All Bank energy loans promote consistency with the Climate Change Convention by improving energy efficiency on the supply and demand sides. This has been increasingly true since the signing of the Climate Convention in 1992 and the issuance of two major energy policy papers in 1992.

- ***IPS Claim:*** *Bank energy finance by-passes the rural poor.*

Fact: Over the last 15 years, 120 targeted projects have directly benefited the rural poor through rural electrification, renewable energy and fuelwood projects. The total investment in these projects is \$2 billion per year, **with Bank loans averaging \$350 million per year**. In addition, rural development projects use energy to deliver services, and other energy projects benefit the poor through better performance of the energy companies, greater efficiency, and better service. A new strategy to improve access for the poor has been set out in 1996 in *Rural Energy and Development: Improving Energy Supplies for Two Billion People*, and the Bank is fully committed to implementing it.



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Advancing Sustainable Development

The World Bank and Agenda 21

*The World Bank
Washington, D.C.*

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Foreword

It has now been five years since most of the countries of the world committed to the policies and programs for environmentally sustainable development laid out at the Rio Earth Summit in *Agenda 21*. Along with other international agencies, the World Bank has sought to be an active partner with its client countries in implementing the priorities set at Rio.

While the past five years have brought some progress, it is not as much as we had expected—and certainly less than we had hoped. Tropical forest cover, wetlands, and other natural habitats collectively have declined by 3.5 percent. Global carbon emissions have increased by 4 percent. One-and-a-half billion people still live with dangerous air pollution, 1 billion people without clean water, and 2 billion people without adequate sanitation. During this period, the world's gross domestic product has increased by \$2.4 trillion, but investment in sustainable development has not kept pace. Furthermore, what has been invested has not been used as cost-effectively as it could have been.

This volume documents the active role of the Bank in assisting our clients to work toward the goals laid out at Rio. It is part of the stocktaking under way at the World Bank as we seek to review the past and plan for improved effectiveness in the future.

Part One takes a broad perspective by assessing some of the greatest challenges for the future and laying out six principles to guide our thinking.

1. *Mainstreaming sustainable development.* Tightening environmental and social policies, improving their implementation, and going beyond targeted programs to make traditional sectoral investments more environmentally friendly.

2. *Integrating social and cultural dimensions.* Recognizing the value of social capital and increasing the focus on participatory approaches to sustainable development, from consulting with locally affected people to substantively involving them in implementation.

3. *Investing in effective partnerships.* Forging strategic alliances with client governments, other multilateral and bilateral donors, the private sector, and civil society to build and share development knowledge and to enhance the design, implementation, and measurement of progress in attaining sustainable development.

4. *Building and sharing knowledge.* Tapping the living laboratory of development activities to acquire, organize, and disseminate knowledge about what works, where, and how.

5. *Measuring progress differently.* Developing and adopting tools and methods to better measure and value environmental change and its social and economic costs and benefits, with a view to improving the empirical basis for decisionmaking.

6. *Mobilizing financial resources.* Maintaining ODA flows and ensuring that they are used cost-effectively, reducing debt, and harnessing private capital flows for sustainable development by influencing international and local businesses to employ environmentally sound business practices.

Part Two addresses the majority of the chapters of *Agenda 21* in turn. It provides concise reviews of progress since Rio and related World Bank activities, lessons learned, and challenges and prospects for the future.

This study was conceived by Andrew Steer, director of the Environment Department, and executed under his leadership. It is presented by the World Bank not only as a part of our taking stock and planning for the future but also as a

means to generate discussion in the international community on how we all can better achieve the global environmental objectives that we set for ourselves in Rio.

Ismail Serageldin
Vice President
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Contributors

This publication was prepared by staff of the World Bank's Environment Department in close collaboration with other units in the Bank Group, including the International Finance Corporation, whose work directly pertains to the sustainable development issues outlined in *Agenda 21*. The particular contribu-

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PART ONE

The World Bank and Sustainable Development

CHAPTER 1

Challenges and Imperatives

Five years after the Rio Earth Summit is a good time to take stock. This global milestone is the theme of the Special Session of the United Nations General Assembly in June 1997 and of a series of international gatherings. The World Bank is actively participating in these meetings, with the purpose of learning from others, sharing ideas that we are developing at the Bank, and building effective partnerships for the future.

Overall, progress in the past five years clearly has not been what we had hoped. Investment in sustainable development has been inadequate as has been the cost-effectiveness of some of the investments. The loss of forests, wetlands, and natural habitats has not slowed to the extent we had hoped; thirteen of the world's fifteen major fisheries are still in decline; and targets under the Climate Change Convention for the year 2000 are unlikely to be met. Most important, we have made inadequate progress in improving the quality of life of the 3 billion people who still live on less than \$2 per day. Clean water and sanitation programs have expanded significantly, but only enough to keep up with population growth. Less than one-quarter of the world's population consumes three-quarters of its raw materials and produces 70 percent of all solid waste.

We have, of course, seen some remarkable examples of dedication, innovation, and success. We estimate that of the 100 countries that have prepared national environmental strategies, about half are beginning to see progress on the ground. Some countries are introducing changes that are becoming "best practices" for others to

follow and are pointing the way toward lasting solutions. The World Bank is pleased to be playing a constructive role in supporting many of these innovations. However, we also recognize that, with so much of the agenda for the twenty-first century yet unfinished, we must regard these successes as spurs to better performance rather than as sources of comfort that we are now "doing things right."

In the past five years, the World Bank has reshaped its overall portfolio, providing sharply increased support for human development, population, environment, and poverty reduction. In these and other programs, the Bank has become the major financier of programs addressing the objectives laid out in *Agenda 21*. These programs are documented in Part II of this report, and in the Bank's magazine, *Environment Matters* (Autumn 1996 and Spring 1997). We recognize, however, that the contribution to date has been inadequate. Every agency involved in promoting sustainable development needs to look hard for ways to improve effectiveness. The World Bank is certainly no exception.

The challenges facing the human race today are perhaps even greater than at the time of the Rio Earth Summit. Boxes 1.1 to 1.5 provide simple updates of five of the challenges that we regard as central. As we assess how the World Bank can best assist countries in addressing these challenges, we see a number of imperatives that need to guide the way that we (and other agencies) do business if we are to reach our potential effectiveness.

Box 1.1 Reducing poverty**The Five Central Challenges**

- Today, 1.3 billion people still live on \$1 per day. 3 billion live on less than \$2 per day.
- 1.3 billion are without clean water. 2 billion are without sanitation. And 800 million are malnourished
- These numbers have stayed roughly constant in the five years since Rio. The proportion of the world's population in poverty has fallen slightly, but the absolute number has stayed the same.
- We see a divergence of development paths, with a growing concentration of poverty in Africa. Average incomes in Africa are 1.4 percent lower than at the time of UNCED, while incomes in East Asia are up 9 percent.
- 130 million children are not enrolled in primary schools (103 million of these are girls). A child born in Africa today is more likely to be malnourished than to attend primary school.
- With the right policies and international support, the number in acute poverty could fall by half over the next quarter-century. And clean water could be made available to all.

Specifically, we need to give priority to:

1. Mainstreaming environmental sustainability into development activities
2. Integrating social and cultural dimensions in the development agenda
3. Investing in effective partnerships
4. Building and sharing knowledge more efficiently
5. Measuring progress differently
6. Mobilizing and multiplying finance.

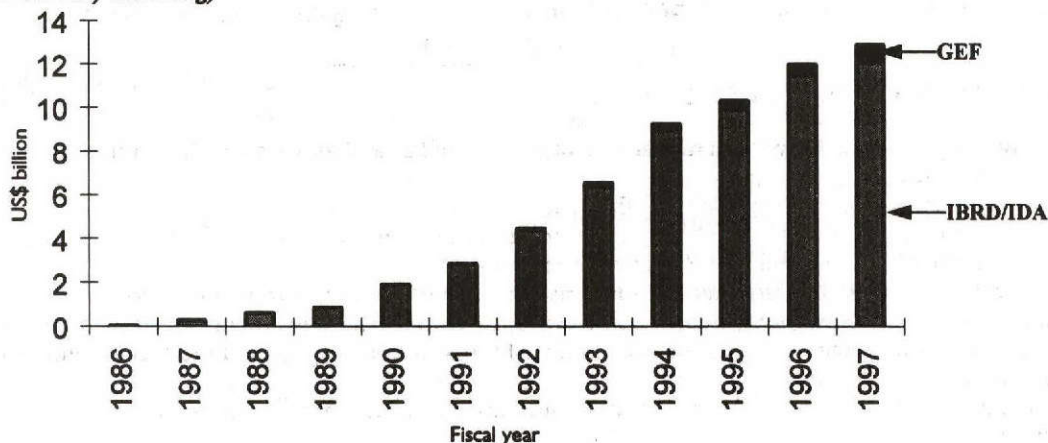
1. Mainstreaming Environmental Sustainability in Development Programs

A. Implementing the First Generation of Environment Projects

In the five years since Rio, there have been numerous programs *targeted* to improved environmental management. The World Bank, for

example, is now financing through the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) environmental programs in 70 countries and has committed nearly \$12 billion in loans for such programs, \$8 billion of which has been since Rio (figure 1.1). Such interventions—to reduce pollution, protect ecosystems, and build capacity for environmental management in developing countries—are vital and, for the most part, quite effective. In addition, as one of three implementing agencies of the Global Environment Facility (GEF), the Bank has approved 70 projects in more than 50 countries totaling \$670 million in GEF-grant financing since GEF's inception in 1991. Overall, for every dollar of Bank-GEF assistance, there is an associated dollar of IBRD or IDA resources, and two additional dollars of co-funding from others. These grants are designed to fund activities that will benefit the global environment in one or more ways: conserving

Figure 1.1 Active environment portfolio, fiscal 1986-97
(active projects currently disbursing)

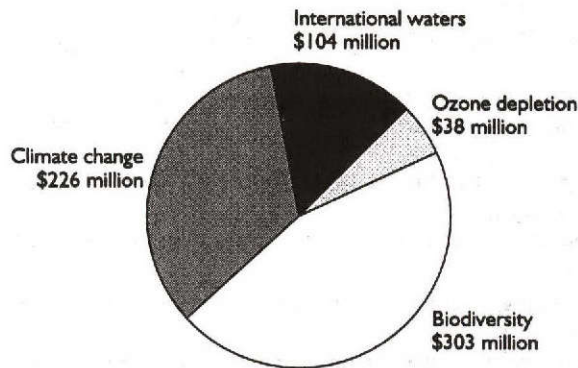


Active Environment Portfolio* \$12 billion (174 projects in 70 countries)

Active World Bank Portfolio* \$137 billion

Note: * Expected at end fiscal 1997. Targeted Environment Project = 9% of Total Active Portfolio

Figure 1.2 Bank/GEF projects by focal area
(approved portfolio of 70 projects totalling \$670 million through February 1997)



biodiversity, reducing emissions of greenhouse gases, protecting international waterbodies, or phasing out chlorofluorocarbons and other ozone-depleting substances (figure 1.2). GEF grants genuinely help countries meet their obligations under the Climate Change and Biodiversity Conventions; provide the economies in transition with resources to complete their phase out of ozone depleting substances and meet their obligations to the Montreal Protocol; underwrite durable partnerships between countries who share large water bodies to manage them sustainably; and build capacity, especially at the country level, to identify and address global environment challenges.

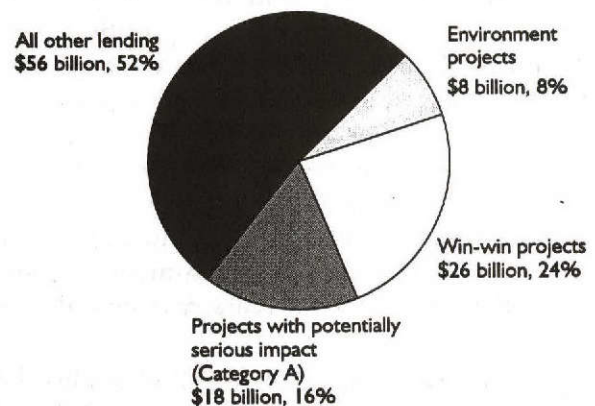
B. Integrating Environmental Sustainability in All Development Programs

However, as we focus on these targeted programs, it is equally vital that we ensure that *all* programs are transformed to reflect the most current understanding of environmental and social sustainability. Consider the World Bank's financ-

ing of development programs, for example. In the five years since UNCED, the Bank will have made loans from IBRD/IDA of around \$109 billion (figure 1.3). It is obviously vital that all these programs incorporate the principles of Rio fully.

Mainstreaming sustainability is accomplished in two ways. First, we must ensure no harm at the project level. The Bank's first-line approach includes assessing and reducing potential adverse environmental impacts of investments. The Bank has a leading position among multilateral development institutions in applying EA in the preparation and implementation of development projects and has positively influenced the practices of governments and other agencies. The Bank established its EA policy in 1989 and, since 1992, has made considerable progress in EA institutional and operational aspects. EA is now firmly rooted in the Bank's normal business activity, reducing the adverse environmental im-

Figure 1.3 World Bank lending since Rio: a green accounting, fiscal 1993-97



Note: All figures for fiscal 1997 are estimated.

Box 1.2 Doubling food production

- Today's population is 400 million higher than at the time of Rio and will grow at 800 million per decade for the next three decades.
- Food production will need to double in the next 35 years.
- The last doubling (the green revolution) occurred in just 25 years. It was driven by irrigation, chemical inputs, and high-yielding seeds and was 92 percent due to intensification.
- The next doubling will be less chemical- and irrigation-intensive and, without expanded agricultural research and investment, will require greater expansion of agricultural area, threatening valuable natural habitats.
- While experts disagree on projections, all agree that the next doubling of food production will be much more difficult than the last one.
- Declining attention to agricultural research and rural programs has positioned the world poorly for the future.

The Five Central Challenges

Box 1.3 Addressing energy: environmental linkages***The Five Central Challenges***

- Poverty alleviation will require access to, and efficient use of, energy.
- Today's global energy policies, which promote the inefficient use of fossil fuels and energy, are environmentally unsustainable, causing significant local (particulates), regional (acid deposition), and global (climate change) environmental degradation.
- 2 billion people are without access to electricity. Most cook using traditional biomass fuels, which lead to a high incidence of respiratory infections in children and chronic lung disease in women.
- Even today, 1.4 billion people are suffering dangerous outdoor air pollution. Assuming no changes in energy policies, it is estimated that 20 million people per year will die from respiratory problems by 2020.
- Energy use in developing countries is projected to more than triple in the next 30 years—even under optimistic assumptions of energy efficiency gains. By 2020, total energy use in developing countries will be double that of OECD.
- Energy services can be provided with much less environmental degradation through significant increases in energy efficiency, coupled with cleaner production. These changes will require national policies to "get the prices right," internalization of all environmental externalities, mobilization of scarce capital, and a significant increase in the rate of development and diffusion of new nonpolluting technologies.
- Shifting from current energy patterns (80 percent of all electricity is generated from fossil fuels) to climate-friendly patterns (say, 25 percent electricity from fossil fuels by 2050) will cost 1–2.5 percent of global GDP. The challenge is to (1) reduce this cost through carbon trading and other means, (2) build a consensus among citizens that the cost is worth it, and (3) negotiate an international system for compliance.

pacts of Bank-financed projects and influencing their design and implementation.

Second, we must move upstream from project-specific concerns to an integration of the environment in sector and national strategies. For the Bank, this implies rigorous application of environmental assessment (EA) and scrutiny of assistance strategies in traditional sectors such as agriculture, energy, and infrastructure. It also implies viewing macroeconomic support through the lens of sustainability, with a view to balancing economic, environmental, and social concerns. Good progress has been made in these areas over the past five years, but much more needs to be done.

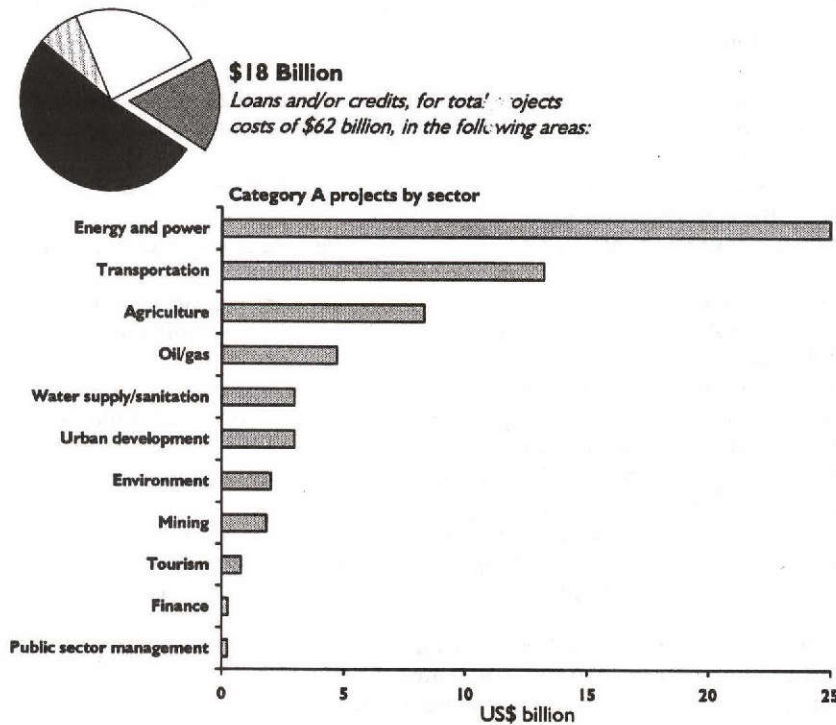
Since June 1992, 107 approved projects, involving commitments of close to \$19 billion and total investments exceeding \$62 billion, have been required to undergo full EA, including public consultation, while another 416 operations, entailing commitments of \$36.6 billion and total investments of over \$90 billion, have been subject to environmental analysis, including, in both cases, incorporation of measures to avoid, minimize, mitigate, or compensate for possible adverse impacts. Nearly half of the projects submitted to full EA were in the power and energy sectors, with another third in the agriculture and transport sectors, and roughly one-sixth in the water supply, sanitation, and urban development sectors (figure 1.4).

Nonetheless, although project-level EA can be very effective, its single-project focus is inherently limited. Application in a broader context—at sectoral and regional levels—moves EA from reactive to proactive and overcomes this limitation. Sectoral EAs analyze environmental issues in relation to policies, institutions, and development plans for sectorwide investment, rather than on a project-by-project basis, and therefore can suggest a broader array of options up-front to guide sectoral development. Sectoral and regional EA have been piloted by the Bank successfully, and this work will be expanded.

Moreover, while mainstreaming sustainable development in its entire portfolio is far from complete, the Bank is taking other proactive approaches to accomplish this goal. A major review on energy-environmental issues is underway, and a major new program for revitalizing Bank work on rural development has been launched. We are also developing and applying so-called global overlays, which involves re-examining sectoral policies and programs in the light of global environmental concerns, such as biodiversity and climate change, thereby adding a global environmental dimension to traditional sectoral planning.

Over the past five years, as knowledge of sustainable development has emerged, the Bank has adapted standard approaches and pursued new ways of doing business in the more traditional sectors of its lending: agriculture, infrastructure, and energy.

Figure 1.4 Category A projects since Rio, fiscal 1993-97



Agriculture and Rural Development

A growing recognition of the environmental challenges of both extensification and intensification of agricultural production, and the nonmarket values of forests, wetlands, and other natural habitats has had a major impact on the Bank's portfolio in the rural sector. These resulted in a new focus on improved land, water, and forest management.

For land, recent emphasis has included moving to cost-effective types of soil and moisture conservation, encouraging market-based land reform, and shifting toward decentralized rural development.

For water, emphasis has been on a more integrated approach to include both supply and demand management, such as encouraging decentralization and local management. In the face of water scarcity and water pollution that increasingly jeopardize the lives of millions of people in developing countries, an international consensus has emerged on the fundamental principles for improving water management. In support of the wide-scale application of these

principles, in 1996 the United Nations Development Programme (UNDP) and the World Bank invited other partners to join in establishing a Global Water Partnership (GWP). The partnership would consolidate the existing UNDP-World Bank water programs and bring together key partners, not just from water supply and sanitation but also from irrigation, the environment, and related subsectors. The partnership aims to

Box 1.4 Conserving biodiversity and natural habitats

The Five Central Challenges

- As of today, only 1.7 million of an estimated 30 million species have been described.
- The loss of natural habitats (the principal reason for species loss) appears not to have slowed in the 1990s. Forests and wetlands are probably still being lost at 0.5-1 percent per year.
- Estimates of species loss over the next 50 years range from 10-40 percent. Either way, there is a crisis.
- Infrastructure, agriculture, extractive industries, and urbanization drive species loss.
- Economic growth (world GDP is up \$2.4 trillion since Rio) and population growth (up 400 million since Rio) are resulting in a massive expansion of the human footprint on the world's ecosystems.
- In the next three decades, with world population rising by 800 million per decade, energy and transport infrastructure of \$500 billion per year (in developing countries alone), and agriculture output doubling, the pressures on ecosystems will reach unprecedented levels.
- Addressing these challenges will require:
 - a. A revitalized rural strategy with agricultural research and intensification given the highest priority.
 - b. Ecological issues factored into all infrastructure planning.
 - c. Greatly strengthened conservation activities. Today 7 percent of the world's land is officially "protected," but this protection is in the form of "paper parks." Protected areas need to be expanded to 10 percent and protected seriously.

Box 1.5 Addressing social disruption and dislocation***The Five Central Challenges***

- As globalization is pulling the world together economically, social and ethnic strains are rupturing social structures and undermining development.
- The link between poverty and social disruption has become more pronounced; 15 of the 20 least developed countries have been involved in violent conflicts. More than half of all low-income countries have experienced major civil conflicts in the past 15 years.
- Over the past 10 years, 70 million people have become international refugees or suffered extended internal displacement. In Africa, nearly half of the countries produced refugee flows.
- 100 million mines are still scattered throughout 65 countries; 100 million more mines are stockpiled and ready for use.
- In many regions in the world, crime and violence are rising. Especially disturbing are the increases in violence against women and children. In Latin America alone, one estimate is that 6 million minors are victims of severe maltreatment, and 80,000 die each year.
- Some transition economies have seen an escalating spiral of collapse of trust, violence, and economic debacle. The de facto disappearance of government from many economic and social functions has forced millions of people to rely on informal, hidden, and sometimes illegal activities to survive.
- Crime and violence hurt development by eroding human and social capital and by destroying physical infrastructure. The effectiveness of development aid is undermined or nullified by violence.
- The agenda to combat crime and violence includes urban poverty alleviation; programs targeted at vulnerable and at risk groups (women and children); building social capital for urban neighborhoods; improved partnerships between government, civil society, and the private sector to prevent crime; and reform of the criminal justice system.
- On the positive side, there is hope that political reform will help. Countries with good civil and political liberties grow faster, and development projects there often perform better. Trust and civic cooperation, embodied as a rich civil society, reduce violence and enhance economic performance.

achieve a dual objective: to support country-level activities adopting internationally endorsed principles and to bring a global perspective to these activities.

Infrastructure

Bank activities to balance transport activities and environmental concerns have focused on two critical issues: addressing transport-related pollution and reducing urban congestion. The Bank's approaches to urban environmental management have changed significantly over time. A new trend focused on city-oriented, cross-sectoral, and cross-media management solutions promises to continue. It involves analyzing the relative magnitudes and impacts of the numerous pollution problems arising from various sources in urban areas and setting priorities for action among them. The Bank's transport sector policy priorities are addressed in the book, *Sustainable Transport: Priorities for Policy Sector Reform*.

Substantive changes are also underway in the management of industrial pollution, where the focus of Bank assistance is also shifting from pollution control to pollution prevention and to promoting cleaner industrial technologies, spelled out in such documents as the publicly available draft *Pollution Prevention and Abatement Handbook*.

Energy

The Bank supports energy production, conservation, and consumption that are efficient, private-sector-oriented, and environmentally and socially sustainable. It does this through dual means: improving demand and supply-side efficiency and management through energy sector and price reforms; and encouraging clean technologies. The five years since Rio have seen good progress on energy pricing. We estimate that subsidies on energy, which promote wasteful use of energy and serious pollution, have fallen by about half—although they still remain at about \$100 billion. The World Bank believes that these remaining subsidies should be phased out, with the resources saved being used for development programs to address poverty. Promoting cleaner technology is also an objective of the Bank's energy programs. The Clean Coal Initiative, the establishment of the Solar Development Corporation, and the launching (through the Bank Group's International Finance Corporation) of private venture capital schemes in renewable energy (see Part Two, chapter 23) are some of the current initiatives to encourage environmental technologies. A major review of the Bank's work on energy-

environmental issues is underway, with a focus on energy efficiency, pollution prevention, and climate change. The review, which will be completed by mid-1997, will recommend actions in each of these areas.

2. Integrating Social and Cultural Dimensions in the Development Agenda

A central thesis of UNCED was that social sustainability is equally as important as—and often linked closely with—environmental sustainability. Nevertheless, the implications of this truth are still rarely worked into public policy. While pinpointing what constitutes “socially sustainable” is still a matter of debate, consensus is emerging on key principles that underlie it. First, development activities must do no harm socially or culturally, implying that social impacts must be evaluated through tools such as social assessment and mitigated. But well beyond this, every effort must be made to target and reach the poorest to ensure full consultation and adequate participation of all stakeholders. It is also critical to support, and where necessary, restore and build social capital: culture and values, relationships, and institutions. Designing development interventions in a participatory manner and in a way that recognizes and enhances the crucial role that social and cultural capital play in the development process requires knowledge and, often, an attitudinal shift.

The Bank is taking steps towards a genuine social policy embracing issues of social capital and civil society. However, recognizing that much more could be done, President James Wolfensohn appointed a senior-level Task Force on Social Development to prepare a plan of action to ensure that the social dimensions of development are fully incorporated in Bank work. The task force concluded that, for the Bank to ensure that its work is socially sustainable, it must deepen its understanding of the social factors that affect and underpin development, adopt a multidisciplinary perspective, and employ complementary social and economic approaches.

At the project level, social assessment by professionals will gradually become the norm just as environmental assessment has. At the national level, the Bank will explicitly address issues of social capital in its Country Assistance Strategies

(CASs) for a number of key countries. The Bank is also expanding support for work in post-conflict situations, where social and institutional structures are severely weakened or destroyed. And, to help build and disseminate knowledge in this area, the Bank plans to devote the 1999 *World Development Report* to this theme. Finally, we are building our own skills in this area and will be seeking to work closely with others who have more experience. This is just a beginning, and progress will be monitored carefully.

3. Investing in Effective Partnerships

It is now obvious that most of the development challenges the world faces are not amenable to solutions from any single agency or group. One of the strengths of *Agenda 21* is its insistence on the role of all groups in society in promoting sustainable development. It is not merely that each group has its individual role to play, but that *acting together* the whole can be much more effective than the sum of its parts. At the Bank internalizing this message and implementing a new emphasis on effective partnerships is requiring a different way of doing business and a major attitudinal shift.

To this end, the Bank is investing heavily in partnerships with other multilateral financial institutions; United Nations agencies and bilateral donors; operational nongovernmental organizations (NGOs) with grassroots experience as well as research or technical NGOs, such as the World Conservation Union (IUCN), the Earth Council, and the World Wildlife Fund (WWF); academic institutions; and private sector organizations, such as the World Business Council for Sustainable Development. While these partnerships must be strengthened and deepened, they already have an increasingly direct and profound effect on Bank policy and strategic planning. They are also positively influencing the design quality and implementation of Bank-supported projects and programs. Partnerships with scientific institutions and technically oriented NGOs have enabled the Bank to tap into new networks of experts. Partnerships with bilateral donors, foundations, and the private sector are sparking innovation and leveraging greater support for ambitious joint initiatives. And partnerships with grassroots NGOs, sometimes “twinned” with international NGO mentors to develop local capac-

ity have extended the reach and the potential impact of Bank projects.

The Bank now commonly facilitates or brokers partnerships among client country governments and other institutions and organizations better placed than the Bank—and often the governments—to secure input from in-country stakeholder networks. These strategic partnerships have high payoffs in improving the overall quality and level of Bank assistance to developing countries for sustainable development. Close to 50 percent of new Bank projects now involve operational collaboration with NGOs to contribute to environmental assessments, provide technical assistance for project design and implementation, and act as contractors or implementing agencies. NGOs' involvement has demonstrably enhanced the design, on-the-ground implementation, and participation of local communities in Bank-supported projects.

The expanding collaboration between the Bank and NGOs is not limited to operational work but includes substantive input into policy and analysis. For example, at the Bank's request, the IUCN is increasingly using its global network of members and commissions to review Bank policy and program initiatives. A number of Bank environmental staff are members of IUCN commissions and program advisory groups. Similarly, the World Resources Institute (WRI), in partnership with UNDP, United Nations Environment Programme (UNEP), and the Bank, publishes biennially the *World Resources Report*.

Since 1993, the Bank has been working in partnership with other multilateral financial institutions (MFIs), such as the Inter-American Development Bank (IDB), Asian Development Bank (ADB), African Development Bank (AFDB), Caribbean Development Bank, European Bank for Reconstruction and Development (EBRD), and European Investment Bank (EIB), on environmental aspects of operations. Twice per year, environmental staff from the MFIs meet to exchange experiences and increase consistency in treatment of environmental challenges. Areas of mutual interest include environmental assessment, pollution control and abatement, public participation and social assessment, and environmental approaches in operations involving privatization and onlending to the private sector through commercial banks.

Similarly, bilateral donors play a particularly catalytic role in the Bank's work on the environment, including policy, analysis, and operations. In addition to cofinancing many environment projects in client countries with the Bank, trust funds provided by bilateral donors directly supported the Bank's work on the environment, including all aspects of the project cycle, economic and sector work, policy and best practice development, technical assistance, and training.

Partnerships with the private sector take on a variety of forms. A multistakeholder partnership which includes the private sector, the Forest Market Transformation Initiative (FMTI), involves the Bank and IFC, conservation NGOs, representatives of private sector forest-based industries, and forest and business research groups. It uses stakeholder fora and other mechanisms to identify the incentive structures needed to catalyze private sector actions that will make forest production systems more sustainable and compatible with biodiversity conservation. The collective hope of the FMTI is that this partnership can lead the change toward a more environmentally sustainable forestry industry.

We believe there is still a huge untapped potential in working together in this kind of multistakeholder partnerships to bring about the kinds of transformations in corporate, consumer, and official behavior that will be required if development is to become sustainable. Good stewardship is missing in most markets because corporate behavior, appropriate government policy, adequate stakeholder consultation, strong NGO and scientific involvement ensuring independent certification of good practice, and adequate financing are not there. The World Bank hopes to participate in other "market transformation initiatives"—renewable energy and marine industries are potential examples—and in promoting effective voluntary guidelines for corporate, consumer, and official behavior.

4. Building and Sharing Knowledge More Efficiently

We all need to recognize that we are on the steep slope of the learning curve when it comes to environmental sustainability. The development path laid out in *Agenda 21* was different from previous approaches, and with each year that passes we

are all gaining experience as to what works and what does not in making development sustainable. Some of the best innovations around the world are still experimental, and it is vital that we learn from these so that good practices can be replicated and failures avoided. The World Bank's project portfolio itself offers a remarkable "living laboratory" from which not only the Bank but others, too, can learn. But we recognize, too, that many of the best innovations come from others, particularly, from locally-led development efforts.

We are convinced that we and other agencies are still not managing knowledge well. Too much knowledge rests in "supply-driven" research reports and not enough in user-friendly systems available on demand to practitioners around the world. Recognizing this gap, the Bank will be investing heavily over the next three years in creating a knowledge management system for development professionals. New information technologies will facilitate this task, so that after a period when the system will be available to our own staff, we will make it directly available online to all. We are seeking partners in this effort. To help put knowledge management into place, we have recently organized our technical staff into "networks" of professional practitioners. They will be responsible for creating and maintaining the skill and knowledge base within their area of responsibility.

5. Measuring Progress Differently

The existing empirical basis in support of sustainable development decisionmaking remains unacceptably very weak. Indicators of whether environmental conditions are improving or worsening, as well as of the efficiency and effectiveness of policies and other management interventions, are essential inputs to better decisionmaking, yet are often lacking. The challenge is to develop better indicators to guide action and to monitor progress.

Indicators of Environmental Change

Working collaboratively over the past five years, the Bank and other international agencies, including the International Monetary Fund (IMF), the UN Statistical Office (UNSTAT), UNDP, UNEP, and various national governments have made significant conceptual and empirical progress in the

development and measurement of policy-relevant indicators of local and global environmental problems. This work has built a critical link between environmental and economic issues. A new Bank publication, *Expanding the Measure of Wealth: Indicators of Environmentally Sustainable Development* (Environment Department, World Bank 1997), highlights sectoral indicators for land quality, updated portfolio indicators on wealth and "genuine" saving (accounting for environmental depletion and degradation), analysis of themes such as poverty and the environment, and new policy indicators. A major innovation is the inclusion of human capital formation in the measures of genuine saving.

Policies and the Environment

The relative success on the ground of various policy reforms in developing countries vis-à-vis their effects on the environment is of great interest. The most straightforward examples of policies of environmental relevance are the so-called win-win policies to eliminate subsidies that damage both the economy and the environment. A new Bank publication, *Five Years after Rio: Innovations in Environmental Policy* (Environment Department 1997), surveys recent experience and assesses the relative performance of a variety of environmental policy interventions implemented since Rio.

Participatory Poverty Assessments

The standard, objective measures of poverty—income, household expenditures, dietary calories—have given way to new measures that recognize that a large part of poverty depends on the perceptions of the poor. To the poor, and particularly to poor women, poverty means much more than low income. It implies lack of access to credit and services, and social as well as economic isolation and vulnerability. Since Rio, the Bank has supported over seventy-two country poverty assessments. Increasingly, these have been participatory poverty assessments (PPAs), which directly engage the poor to share their own perceptions of poverty. These assessments should become part of standard practice as the basis for programs targeted at poverty reduction.

6. Mobilizing and Multiplying Financial Resources for Sustainable Development

Agenda 21 made it clear that progress towards sustainable development would require additional investment and finance. As the largest international development finance agency, the World Bank has a special role to play in helping to mobilize and channel financial resources in the service of sustainable development. There are three imperatives: the level of finance must be raised, the pattern of finance must be redirected, and the need for finance must be reduced.

Raising the Level of Finance

At the time of Rio, most discussions revolved around the need for new development assistance. Almost all industrial countries recommitted themselves to raising their foreign assistance levels toward the target of 0.7 percent of GDP. Unfortunately, this has not materialized. On the contrary, in 1995, development assistance as a share of donor country GNP fell to 0.27 percent, the lowest level in 45 years. This downward trend urgently needs to be reversed. Foreign assistance remains vital for reducing poverty and protecting ecosystems, although this case has not always been made as effectively as it ought.

The International Development Association (IDA) is the World Bank's concessional lending arm that provides interest-free loans to countries too poor to afford the market rates charged by the Bank's regular lending arm, IBRD. Key to the Bank's future role in these countries will be the eleventh and twelfth replenishments of IDA, which will cover the periods July 1996 to June 1999 and July 1999 to June 2002, respectively. The recent replenishment of IDA-11 was very challenging. After extensive discussions, 30 donors committed to contribute to IDA-11, which (when factoring in reflows and World Bank contributions) could lend as much as \$22 billion over the 3-year period.

This year will see the replenishment of the Global Environment Facility, a \$2 billion grant fund to address the global problems of climate change, biodiversity loss, ozone depletion, and the degradation of international waters. It is vital that GEF be replenished at a generous level. To ensure continued cost-effectiveness of its GEF programs, this year the World Bank undertook a

major review of its own processes for implementing the GEF, and as a result, has adopted a number of important changes to streamline processes, improve effectiveness, and mainstream global environmental concerns throughout the Bank's portfolio.

The good news on finance over the past five years is found in the private sector. Since 1992, net private sector flows to developing countries have tripled, and last year reached \$230 billion, five times the flow of official finance. This expansion of private finance has been a surprise, but should not have been. Some developing countries have simply become more attractive to investors. Investors respond positively to stable, well-managed economies with a track record of low inflation and market-friendly policies. More developing countries have followed better economic policies over the past five years, and this is paying off. Unfortunately, these gains have not been achieved across the board. Three-quarters of all private flows went to only twelve developing countries. Over the past three years, all of Sub-Saharan Africa (excluding South Africa) received just 1 percent of total private capital flows. The World Bank is working hard with African governments—and other countries that have not yet succeeded in attracting private flows—to help them create a more attractive business climate for private investors.

While international financial flows are essential for financing development, most of the requirements for investment must come from within developing countries themselves. Here, too, there has been good news. The same policies that are attracting foreign finance are also generating increased domestic savings, although the picture varies greatly across countries and regions. In East Asia, gross savings rates have risen to 38 percent of GDP, in comparison to 20 percent in South Asia, 19 percent for Latin America, and only 16 percent for Sub-Saharan Africa.

Removing pricing distortions can also have a powerful role on resource mobilization—and can often improve the environment at the same time. A dramatic example of this is the case of energy subsidies. In the five years since Rio, we estimate that energy subsidies in developing and transitioning economies have fallen from an as-

tonishing \$200 billion to about half this level. Reducing subsidies frees up resources for investment and dramatically reduces pollution by encouraging greater energy efficiency.

Changing the Pattern of Finance

Not only must the level of finance be raised, but also it must be redirected to finance more environmentally responsible investments. Private investment, in particular, has huge potential for good or harm. Each year, the private sector invests around \$4 trillion worldwide. For the developing world, this figure is around \$1.5 trillion. Worldwide, private investment is six times as much as government investment.

The primary way to ensure that private investment supports rather than undermines environmental sustainability is through sound environmental policies in the host countries. Some encouraging progress is being made here. The World Bank, for example, is assisting seventy developing countries in reforming their environmental policies. In about fifty of these countries, we are beginning to see real progress, although almost all countries still have a long way to go. The environmental policies that are emerging are different from those traditionally followed in today's industrial countries. The "new environmentalism" is more flexible, pro-business and cost-effective than earlier approaches (see box 1.6).

At the international level, there are also opportunities for "greening" private investment.

Box 1.6 Principles of the "new environmentalism"

A recent review of the seventy countries supported by the World Bank in their environmental reforms found the emergence of a "new environmentalism" characterized by the following principles:

1. Set priorities carefully.
2. Make every dollar count.
3. Harness win-win opportunities.
4. Use market instruments where feasible.
5. Economize on administrative and regulatory capacity.
6. Work with the private sector, not against it.
7. Involve citizens thoroughly.
8. Invest in partnerships that work.
9. Remember that management is more important than technology.
10. Incorporate the environment from the start.

Smart private investors are already recognizing that high environmental standards are good for business as well as for ecosystems. This has been the major message of leading groups such as the World Business Council for Sustainable Development. But in some cases, lack of knowledge, coupled with market imperfections, are impeding environmentally responsible investment. In these cases, modest support from official sources can help reduce risk and help generate self-sustaining private investment. As examples, the World Bank Group (through the IFC), in conjunction with the Global Environment Facility, is launching private sector venture capital funds for investments in biodiversity and renewable energy. By so doing, it is possible to generate \$20 of environmental investments for each \$1 of official funds.

Leading private companies are also setting themselves tough environmental standards to guide their own investments. This move is partly in response to pressures from domestic shareholders and public opinion and partly due to a recognition that long-term profitability is likely to depend on sound environmental performance. It is important that such voluntary standards be extended to become the norm among private investors. The World Bank is working with a number of private groups to encourage this process.

Using Finance More Effectively

Moving from the present to a more sustainable development path will require additional resources. But, it need not require as much as is often projected. Many of the traditional investments in the environment have been unnecessary or excessive, due to the lack of concern for cost-effectiveness. Western nations have achieved substantial improvements to their environments, but at an unnecessarily high cost, as "command-and-control" regulations have required specific technology-driven solutions. Today's developing countries cannot afford the high costs incurred by the industrial countries. A growing number of developing countries—as diverse as China, the Czech Republic, and Mexico—are basing their policies and investment plans on careful cost-effectiveness analysis. The World Bank has been supporting many of these countries in this work.

A key element in lowering the costs of environmental improvement is to allow the private sector—corporations, households, farmers—to make the decision as to how to reduce environmental damage. This is the purpose of the so-called market-based instruments. There are many such instruments, including effluent charges, deposit-refund schemes, performance bonds, and tradable permits. The good news is that almost all of them are being tried out somewhere. The bad news is that they are not being tried in enough places.

Such approaches can lead to dramatic savings even at the global level. Consider the issue of climate change, for example. Experts calculate

that it may cost industrial countries around \$250 billion per year to reduce their own carbon emissions to the extent required. Suppose, however, that these industrial countries could purchase reductions in carbon emissions in other countries, where costs are much lower. The annual cost of achieving targets would then fall by about two-thirds to about \$80 billion. The savings of around \$170 billion per year could then be shared among developing and industrial countries. The signatories to the Climate Change Convention will be deciding on whether to allow such “trading” of carbon permits at an important meeting in Kyoto in December 1997.

PART TWO

Responses to Agenda 21

Combating Poverty

Currently, more than 1.3 billion people in the developing world still struggle to survive on less than a dollar a day. In some regions, per capita incomes are actually declining, and crises in agricultural production and the environment promise to put people at greater risk in the years to come. In Sub-Saharan Africa, a child born today is more likely to be malnourished than to attend primary school, and the likelihood of dying before the age of five is the same as entering secondary school. In the face of these challenges, chapter 3 of *Agenda 21* states that "the struggle against poverty is the shared responsibility of all nations" and calls for policies that promote "development, sustainable resource management and poverty eradication simultaneously."

Progress since Rio

The central objective of the World Bank is to help developing countries reduce poverty. In order to carry out its mission, the Bank has employed a three-fold agenda focused on broad-based economic growth, development of human capital among the poor, and establishment of social safety nets for those who are most vulnerable.

Broad-based Growth

Five areas are crucial for ensuring that the poor are able to maximize the benefits from economic growth:

- *Providing the necessary framework.* In recent years, the performance of low-income economies in South Asia has shown that labor-intensive

growth, rather than depressing productivity, actually engages more people in productive work, and adds to total earnings. Over the last five years, the Bank has allocated \$14 billion for economic reform, \$17 billion to increase agricultural productivity, \$10 billion for education, \$6 billion for urban development, and \$5 billion for water and sanitation.

- *Increasing access to credit and land.* As part of efforts to help the poor gain access to key productive assets such as capital and land, the Bank has supported institutions such as the Grameen Bank and is a partner in the Consultative Group to Assist the Poorest (CGAP), which aims to increase microcredit for poor entrepreneurs. Efforts have been launched in Albania, Niger, and Tunisia, among others. The Bank has also provided key technical assistance to countries pursuing market-assisted land reform. These include Brazil, Colombia, and South Africa.
- *Increasing the productivity of the poor.* Investments in basic education, agricultural extension, and business are essential to improve productivity. In this regard, the Bank has devoted \$17 billion over the past five years to promote productivity growth in agriculture. Increasingly, this assistance is being targeted directly to poor farmers.
- *Making markets work.* In recent years, the Bank has encouraged governments to lift unnecessary and burdensome regulations and taxes on start-up firms. Infrastructure investments have also focused on smaller-scale projects, such as rural roads or urban bike paths, that more closely reflect demand considerations.
- *Helping to overcome discrimination.* In order to help people marginalized by discrimination

reach their economic potential, the Bank has supported efforts aimed at both women and indigenous populations. In the case of women, it is supporting appropriate agriculture technology, the right to own land, and access to child care, education, and employment (also see chapter 17). In the case of indigenous populations, greater emphasis is being placed on local participation and extension efforts that build on local knowledge (also see chapter 19).

Developing the Human Capital of the Poor

To develop the ability of the poor to work their way up from poverty themselves, the Bank has dramatically increased its investments in human capital development, such that 16 percent of Bank lending is now dedicated to this purpose. Basic education is key in this regard, and there are three areas crucial to the Bank's efforts to help poor children:

- *Early childhood development.* Because good nutrition and education in the first few years of a child's life can have a lasting positive effect, the Bank has staked out new territory in recent years by supporting projects that integrate health, nutrition and early childcare services.
- *Primary education.* Although it has long been recognized that education is correlated with income, emphasis has often been placed on higher education to the detriment of primary education. This is particularly true, perhaps, in the developing world. To focus more on the truly poor, the Bank has increased its percentage of education money going to primary education from 34 to 45 percent in the last few years.
- *Educating girls.* Educating girls has a catalytic effect on every dimension of development from lowering fertility rates to raising productivity and improving environmental management. The Bank continues to reiterate this theme and push for increased educational opportunities for girls in regions where they experience discrimination.

Safety Nets

Because most poverty reduction efforts are focused on the working population, some people will necessarily be left out unless specific efforts are designed to meet their needs. These people include the sick, elderly, disabled, those in marginal areas, and those suffering temporary setbacks. The Bank now spends approximately

\$2 billion in safety net operations world-wide, from urban Africa to Mexico to the former Soviet Union.

Lessons Learned

Assessing the impact of Bank efforts to reduce poverty is necessarily complicated by external factors, such as overall economic growth in a country, price shocks, weather, and peace and security. The Bank continues, therefore, to make efforts to refine its evaluation techniques. Nonetheless, important lessons have been learned:

- Cross-country and time-series analyses of new data have confirmed that economic growth is critical in the fight against poverty in all regions of the world.
- Country-specific poverty assessments map poverty using different sources of information, including data on nutrition and education. These assessments can contribute greatly to target poverty reduction efforts and coordinate donor and government actions.
- Improvements must be made in linking poverty assessments, country assistance strategies, the resulting lending program, and dialogue with governments to establish more cohesive and comprehensive strategies.
- Much more needs to be done to improve monitoring of projects to measure the impact of poverty efforts "on the ground."
- Effective poverty reduction requires government commitment, strengthening of available capacity, and increased participation of beneficiaries.

Challenges Ahead

Poverty remains a tremendous challenge that no country has yet overcome. Future efforts must be coordinated among donors, governments, nongovernmental organizations (NGOs), and local communities. They will need to be better targeted, within the capacity of local institutions to implement, and more participatory. To these ends, the Bank will increase its use of country-specific poverty assessments, emphasizing the participatory type, to improve its understanding of the causes and dynamics of poverty, and to refine and tailor its strategy to different country situations. Furthermore, the Bank will monitor more closely the way its country assistance strategies incorporate poverty, and will continue to mainstream participation and social assessment in project design and implementation.

Linking Population with Sustainable Development

The relationship between population and sustainable development remains a complex and highly debated issue. Nevertheless, there is broad agreement that rapid increase in human population puts pressure on natural resources and the environment both directly, through increased need for employment and livelihood, and indirectly, through increased demand for goods and services. In many rural areas, growing populations demanding more food, employment, and livelihood have accelerated conversion of forests and other natural habitats to agriculture and other uses. Landless poor have streamed from rural areas into cities in search of employment, and the resulting rapid pace of urbanization imposes huge environmental challenges. While rural to urban migration eases the subsistence pressure for further encroachment on natural habitats, it increases the market pressure for food, timber, and energy. In addition, urbanization brings with it a whole set of pollution-related concerns stemming from sanitation, industry, energy, and transport. Recognizing the linkages between demographics and sustainability, chapter 5 of *Agenda 21* calls for increased analysis of demographic trends as well as broader dissemination of information on what these trends may portend.

Progress since Rio

Since Rio, the Bank has substantially increased assistance for population programs, and now commits over \$2.3 billion per year for new health,

nutrition, and population projects. As a key compiler of information on social and economic indicators in developing countries, the Bank continues to play a central role in mobilizing and disseminating basic information about demographic trends. It has also worked to incorporate that information into sector work and policy dialogue on linkages between population and sustainable development at the global, regional, and country levels. As a follow-up to Rio, the Bank's report, *Population and Development: Implications for the World Bank*, for the International Conference on Population and Development held in Cairo in 1994 emphasized the importance of linking population policy to core Bank agendas in poverty reduction and sustainable economic development.

Population issues have also gained prominence in the Bank's regional, country, and sectoral strategies. A recent regional example is the strategy for Sub-Saharan Africa, articulated in the Bank paper, *Toward Environmentally Sustainable Development in Sub-Saharan Africa: World Bank Agenda* (1996). As part of the effort to help its client countries formulate integrated national policies to take account of demographic trends, the Bank is seeking to improve the use of demographics in its country assistance strategies, which are the compacts that guide the Bank's work with its borrowers. Similarly, the Bank is exploring the impact of population in its country-level economic and sector work, such as the recent *Population Growth, Shifting Cultivation, and Unsustainable Agricultural Development: A Case*

Study in Madagascar (1994). At the project level, the Bank routinely takes account of projected changes in the growth and distribution of population, especially in such critical areas as water, sanitation, and land use.

Lessons Learned

One of the most important demographic lessons to emerge since Rio, and one which has major implications for the sustainability of economic development, is that *population momentum* is an increasingly important factor driving *population growth* in developing countries, particularly in large countries such as China, India, and Indonesia, where substantial fertility declines have already occurred. Even with these declines, these countries will still experience very large absolute increases in population. The reason is that while the current generation of mothers is having many fewer children than their mothers did, the numbers of new mothers have increased faster than fertility rates have declined. Furthermore, these large absolute increases will occur over the next two to three decades. The Bank has been working with its client countries to increase awareness of the momentum factor and to help them plan how to manage these very large increases effectively.

Another important lesson is that the links between demographics and sustainability are complex. It is intuitively clear that substantially larger numbers of people consuming much more than today and doing so in regions of the world which are already experiencing great environmental stress will have serious consequences. However, understanding the dynamics and measuring the adverse impact of these linkages is a major challenge. Decisions have to be made despite uncertainty and incomplete information. Fortunately, many of the actions that will help to encourage and maintain fertility declines—

increasing household incomes, decreasing child mortality, expanding educational and employment opportunities for women, and increasing access to family planning to help individual women avoid unwanted births—are desirable in their own right. Supporting them to avoid adverse longer-term environmental impacts represents a win-win scenario.

Challenges Ahead

As the world continues to confront the consequences of rapid population growth, the Bank will continue to promote sustainable development by meeting three important challenges:

- *Prevailing on policymakers to think and plan for the longer run.* First recognize the importance of timely actions to complete transitions to lower population growth rates and then develop strategies for coping with the very large increases in population that are upon us. The next two decades offer a onetime window of opportunity for effective action. Actions that fail to consider longer-term consequences will likely have devastating impacts.
- *Continuing the progress that was made in Rio and subsequently in Cairo, Beijing, and elsewhere to put a human face on population issues.* While recognizing the importance of links between population and sustainable development, many NGOs, particularly those representing women's perspectives, called for responses that put individual reproductive rights and health needs first. They grounded their position on basic principles of human dignity and evidence that this approach has been more effective and less costly than top-down efforts driven only by macrodemographic targets.
- *Mobilizing the financial and human resources needed for this effort.* The Bank will continue to play a major role at the policy level to address these issues, and will maintain its increased support for investments to implement programs of effective action in population and the environment.

Protecting and Promoting Human Health

The state of human health is closely linked to development. Impaired health lowers human productivity. At the same time, disease is often associated with poverty, manifested as illnesses caused by inadequate sanitation, malnutrition, or the lack of medical treatment. The poor take the brunt of the health impacts of air and water pollution, because they are the least able to reduce their exposure. They are also more vulnerable, because they are less healthy and less nourished. In order to improve human health, chapter 6 of *Agenda 21* calls for, among other goals, improvements in primary health care, particularly in rural areas; better control of communicable disease; protection of the most vulnerable; and reduction of the health risks from pollution.

Progress since Rio

The Bank's assistance in health has increased dramatically over the past five years. The average annual number of projects has nearly doubled since the early 1990s. Lending commitments for health, nutrition, and population have risen from \$0.9 billion in fiscal year 1992 to \$2.3 billion in fiscal year 1996. The World Bank is now the single largest external financier of health activities in low- to middle-income countries. Health assistance comprises 11 percent of total Bank lending, twice what it was five years ago.

Along with its lending activities, the Bank has contributed significantly to national and international debates on health policy through the following nonlending channels:

- *Policy analysis and research.* The Bank's seminal publication on health, *World Development Report 1993: Investing in Health*, has helped both the Bank and many countries reorder health policy priorities. Other World Bank papers on key topics to improve the quality of Bank work include *Better Health in Africa: Experience and Lessons Learned* (1994); *A New Agenda for Women's Health and Nutrition* (1994); and *Evaluating Health Projects: Lessons from the Literature* (1996). The Bank also cosponsored the Ad Hoc Committee on Research and Development report, *Investing in Health Research and Development* (1996), which will contribute to a global agenda for research addressing issues related to communicable diseases, maternal conditions, microbial threats, noncommunicable diseases, and health policy.
- *Country-specific sector work and dialogue.* Over the last five years, the Bank has undertaken country-based analytical studies in key areas such as financing, health care delivery systems, and health training in Chile, China, India, Jordan, Kyrgyz Republic, Malawi, Mexico, Poland, and Tunisia. These studies have served the dual purposes of educating Bank staff about health issues and client country needs as well as stimulating analysis, debate, and consensus-building among national decisionmakers.
- *Training.* The Bank is increasingly using training as a vehicle for dialogue on health policy, health sector development, and sustainable financing. A recent example was the regional policy seminar attended by ten southern African countries held in South Africa in 1996. A global course will be held in 1997 on health sec-

tor reform and sustainable financing. This course will feature an intensive six-week training program as well as locally adapted courses in six regional partner institutes.

- *Partnerships.* The Bank continued as a sponsor of the Task Force for Child Survival and Safe Motherhood Initiative and participated in major health conferences and scientific meetings. In collaboration with the World Health Organization (WHO) and other international organizations, the Bank hosted the 1997 International Conference on Innovations in Health Financing, the first major conference to focus on the full range of international health financing mechanisms. In its lending program, the Bank is working in consortia with other donors to improve coordination and resource mobilization, as in recent health projects in Bangladesh and Zimbabwe. The Bank also has strengthened its staff and created closer partnerships through secondments of technical staff from the Centers for Disease Control (CDC) and WHO.

Lessons Learned

While there have been dramatic improvements in health status globally, many countries have not progressed as well as expected. More attention needs to be given to ensuring access to cost-effective services, as well as focusing on efficient spending, quality in service delivery, and increased civil participation.

Bank analysis of the global disease burden and the costs of alternative interventions, undertaken over the last four years with WHO, has identified key interventions which are particularly cost-effective. These interventions include management of sick children, immunization, prenatal and delivery care, family planning, AIDS prevention, treatment of sexually transmitted diseases (STDs), chemotherapy for tuberculosis, school health, and tobacco and alcohol abuse prevention.

The importance of participatory approaches that engage clients, beneficiaries, and other stake-

holders in building strong local ownership and commitment has become increasingly evident. A growing number of Bank projects include financing for NGOs and community support. For example, in India the Bank has supported the participation of NGOs in the preparation and implementation of the new Reproductive and Child Health project, which has ensured incorporation of women's perspectives.

Challenges Ahead

To meet the key upcoming challenges to the health sector, the Bank is taking a tripartite approach:

- *Focusing on poverty alleviation.* The Bank will work with client countries to ensure access to high quality preventive and basic curative health services that address the needs of women, children, and the poor.
- *Enhancing resource mobilization and cost containment.* The Bank will work with client countries and the private sector on appropriate public and private roles in health. In middle-income countries, the focus will be primarily on preventing uncontrolled, escalating expenditures and unsustainable systems. In low-income countries, the focus will be on ensuring an adequate level of public funding and on using scarce resources most effectively.
- *Assisting in policy formulation and broad sector reform.* The challenge includes addressing problems such as inefficient, centralized delivery systems, poor management, human resources imbalances, information failures, poor quality of care, inequitable systems, and weak involvement of communities and the private sector. To improve planning, implementation, and health outcomes of projects, the Bank will be developing, in collaboration with other donors and client countries, better indicators to measure performance of health programs.

Promoting Sustainable Development of Human Settlements

Urban consumption patterns in industrialized countries severely stress the global ecosystem, while human settlement conditions in the developing world remain very poor, in part because of low levels of investment. People without income often lack shelter, even in the wealthiest societies. To improve the state of human settlements, chapter 7 of *Agenda 21* calls for a series of reforms and reallocation of resources. These include providing adequate shelter for all, improving management of human settlements, providing integrated environmental infrastructure, supporting sustainable energy and transport systems, and planning more effectively in disaster-prone areas.

Progress since Rio

Housing and land issues formed the mainstay of the World Bank's early urban programs, and the demand for projects in this area is still strong. Since Rio, however, the Bank has engaged in a strategic reconfiguration of its loan portfolio, designing and evaluating settlement projects based on their impact on the housing and urban land market as a whole, rather than focusing narrowly on single project outcomes.

The Bank has also sought to develop new ways to access cost-effective, long-term financing for settlements and services, including the development of mortgage and/or municipal credit markets in those countries with relatively advanced financial markets. To this end, it is facilitating

commercial bank entry into financing housing and land markets by developing projects that appropriately allocate financial, operating, and market risks between governments and private entities. To pool knowledge, share responsibilities, and leverage finances for settlement projects around the world, the Bank has forged cooperative arrangements with other donor agencies such as the United Nations Centre for Human Settlements (UNCHS) (Habitat), the United Nations High Commissioner for Refugees (UNHCR), the United Nations Children's Fund (UNICEF), the United States Agency for International Development (USAID), and the European Union (EU) in the design and implementation of settlement projects. Increasingly, the Bank has sought active stakeholder participation and support—from both governmental and nongovernmental entities (box 5.1).

The Bank's project appraisal and development processes have been adapted to lend in time and more efficiently to reconstruction activities in regions of the world torn by wars or natural disasters. The Bank is leading efforts in post-conflict reconstruction in Bosnia (box 5.2) and in the West Bank and Gaza. It has also responded rapidly to the decimation of settlements by natural disasters, with emphasis on settlements of the poor, who are particularly vulnerable. Emergency reconstruction activities, such as those sponsored after earthquakes in India and Turkey and after floods in Brazil, have focused on the short-term

Box 5.1 The case of El Mesquital, Guatemala

A community cooperative established in response to a health crisis that took the lives of 160 children in 1985 is taking the lead in identifying priorities and helping develop this inadequately serviced suburban area of Guatemala City. Through the identification of priority investments by the cooperative, the World Bank is lending to finance these targeted needs. Land development by extending essential infrastructure services to all of El Mezquital is envisioned to meet the demands of the community, which is paying for services and the purchase of developed land through the cooperative. By developing a targeted lending project that relied on stakeholder input to determine priority needs, the World Bank built grassroots support for the project, improving its chances to succeed.

need to repair shelter in the afflicted areas and restore their essential infrastructure services.

In addition, a new Historic Cities initiative is underway in which the Bank, the United Nations Educational, Scientific, and Cultural Organisation (UNESCO), academic institutions, foundations, and other governmental and nongovernmental entities are collaborating on the preservation and restoration of historic cities as culturally and economically viable entities.

Lessons Learned

Over the past five years, the Bank has learned important lessons about how to improve settlement projects and create a more favorable enabling environment. Experience has shown it is important to:

- Encourage governments to establish more efficient land and housing sector markets through appropriate policy reforms. Also, allow governments to focus their efforts on improving settlements and services for the poor, while not participating directly in the production and financing of shelter projects or delivery of shelter services
- Rethink the orthodoxy of land tenuring and cadastering to create a broader array of products for designing and evaluating land and shelter development projects
- Improve institutional capacities and arrangements to remove land and housing market imperfections and increase service delivery efficiency

- Recognize that infrastructure service delivery is an essential component of sustainable settlement projects
- Use appropriate mechanisms to encourage innovative design and construction of settlements as well as to allow competitive private sector participation
- Consider innovative ways of valuing projects and evaluating impacts related to land improvements, for example, by using target rates of return based on land prices as feasibility indicators for infrastructure projects.

Challenges Ahead

Despite the Bank's strategic refocusing of shelter and land projects, certain obstacles still need to be overcome. They include:

- Mastering the division of roles and the allocation of responsibilities between the public and the private sector
- Designing targeted subsidy programs that factor in affordability and transparency while minimizing the impact on financing arrangements
- Focusing on government's role in ensuring macroeconomic stability that specifically affects long-term finance issues in this sector.

Box 5.2 The case of Bosnia and Herzegovina

As a result of civil conflict in Bosnia and Herzegovina, in addition to the million displaced people, about 50 percent of the housing stock was damaged and an additional 6 percent totally destroyed, with no maintenance over four years. The housing reconstruction program aims to create conditions to enable the return of refugees and the displaced and to rapidly expand the usable housing stock for the entire population cost effectively. In addition, the program provides institution-building, management, and implementation support for designing appropriate housing policies. Although much has been achieved through the support for locally driven reconstruction by the World Bank, nongovernmental organizations, and other multi- and bilateral agencies, the situation in Bosnia and Herzegovina needs sustained support.

Among the lessons gleaned following a year of implementation has been the need to coordinate actions among donors, streamline contracting procedures for labor and materials, integrate infrastructure rehabilitation in the process, and maintain realistic expectations of outcomes.

Protecting the Atmosphere

Atmospheric pollution is an enormous and growing concern throughout much of the world, causing widespread health problems, particularly for the young and the elderly. Atmospheric pollution has caused ozone depletion and threatens to bring about climate change with widespread repercussions. To reduce pollution and protect the atmosphere, chapter 9 of *Agenda 21* calls for greater investment in scientific research, the promotion of sustainable development, the prevention of ozone depletion, and agreements to handle transboundary pollution issues, among other measures.

Progress since Rio

As evidence increasingly suggests that the old "pollution control" paradigm is no longer adequate, the Bank has shifted its emphasis in recent years to *environmental management*. Currently, the Bank has committed approximately \$526 million to 55 atmospheric pollution projects in 32 countries through the Global Environment Facility (GEF) and Montreal Protocol (MP). Of these projects, 7 are through IFC for \$29 million, and 1 is through the Inter-American Development Bank (IDB) for \$3 million. All the projects strengthen institutional capacity to monitor and enforce environmental management and, where appropriate, establish a sound regulatory and planning framework. Solutions being applied with the Bank's assistance involve privatization and public sector reform, movement toward financial sustainability through user charges and management autonomy, and the establishment of clear priorities to ensure that

environmental projects address the most important problems and do so in a cost effective way.

A prime area of focus is the effort to reduce atmospheric pollution ozone depletion caused by chlorofluorocarbons (CFCs). When countries around the world signed the Vienna Convention for the Protection of the Ozone Layer and its associated Montreal Protocol. They made a commitment to phase out all CFCs by 2010 (1996 for Organisation for Economic Co-operation and Development nations). The World Bank has participated in a number of initiatives designed to support its client countries as they attempt to meet these obligations:

- *Montreal Protocol*. Since 1991, as an implementing agency for the Multilateral Fund for the Montreal Protocol (MFMP), the Bank has approved over 460 investment projects (about 40 percent of all MFMP investment projects) at about \$210 million (nearly 50 percent of MFMP investment project resources). These projects have resulted in an annual phaseout of over 7,800 tons of ozone-depleting substances (ODS) weighted for their ozone-depleting potential and will ultimately result in an annual phaseout of over 42,000 tons.
- *Global Environment Facility*. Many countries with transition economies are not eligible to receive financing from the MP but are eligible under the GEF. Through the Bank as an implementing agency, the GEF is financing ODS phaseout in six economies in transition, including Russia. The value of the approved projects is now over \$85 million. They will ultimately result in an annual phaseout of over 18,000 tons of ODS.

- *ODS production phaseout.* The Bank is supporting a special initiative to help the Russian Federation phase out ODS production. Although ODS consumption in Russia has fallen over recent years, this trend could be undermined by the continuing availability of locally produced ODS. Illicit trade in Russian CFCs in Europe, North America, and developing countries also undermines the world community's efforts to phase out all CFCs. The production phaseout is probably the most cost-effective large-scale ODS phaseout in the world. In another special initiative, the Bank has been working with the Government of China on a pilot to phase out over 35,000 tons of ODS annually in the halon sector, used primarily in fire protection systems.
- *Market-based instruments (MBIs).* In 1996, the Bank undertook a study on market-based instruments to support ODS phaseout. The study identifies potential applications for conventional MBIs, such as taxes and tradable production permits, and recommends a national bidding system for MFMP grant distribution. A national auction would reduce costs to the MFMP since firms would have to compete for the Fund's resources and would have incentives to minimize their conversion costs.
- *Hydrocarbon refrigeration.* The Bank and the Governments of Germany and Switzerland have initiated a study on the global hydrocarbon domestic refrigeration market. The study's purpose is to evaluate the barriers faced by hydrocarbon technologies, determine whether they enjoy a level playing field relative to other alternatives, and assess their comparative environmental benefits.

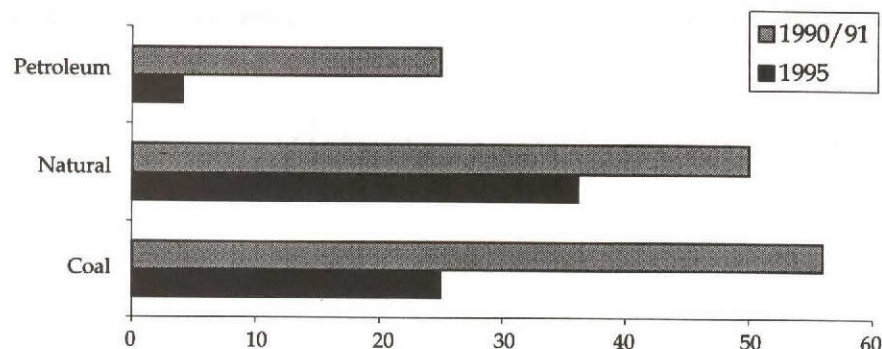
A second area of focus in the effort to reduce atmospheric pollution concerns the threat of global climate change. To meet the objectives of the 1992 United Nations Framework Convention on Climate Change (FCCC), nations will be compelled to improve energy efficiency and reduce reliance on fossil fuels. The Bank has taken the lead in helping countries reduce emissions and enhance sinks of greenhouse gases through a number of measures.

- *Mainstreaming climate change.* Evidence is growing that macroeconomic policy changes will strongly affect future greenhouse gas (GHG) emissions and that, in many cases, it is in a country's best interest to pursue actions that also capture climate change benefits. Foremost

among these win-win opportunities is the elimination of subsidies which damage both the economy and the environment. Preliminary results from tracking the changes in fossil fuel subsidies in Eastern Europe show that total subsidy levels on coal, natural gas, and petroleum products dropped from \$14.4 billion in 1991 to \$6 billion in 1995, 4.3 percent of the region's combined gross national product (GNP). Improvements in energy efficiency also reduce GHG emissions while aiding economic growth. Increasing evidence shows that, more than any other factor, changes in economic structure affect the future path of energy intensity and GHG emissions. A joint study by the Chinese Environmental Protection Agency, the State Planning Commission, the UNDP, and the World Bank isolated the factors that are responsible for reducing the energy intensity of the Chinese economy below the level that would be reached with static production technologies. Some 79 percent of the total expected decline in energy consumption per unit of output is a consequence of changes in the structure of Chinese industrial production. Macroeconomic and other policies can therefore have a larger impact on GHG emissions than any explicit mitigation option at the project level.

- *Global Environment Facility.* As a GEF implementing agency, the Bank emphasizes in its programming emissions abatement opportunities that are cost effective from a long-term global environmental perspective. Renewable energy and energy efficiency have been the major foci of investment activity. To date, the GEF Council has authorized \$220 million in GEF cofinancing of Bank renewable energy projects and \$92 million in energy efficiency investments (see figure 6.1). On average, each dollar of GEF financing has leveraged approximately four dollars in complementary private sector, World Bank, and other official capital flows.
- *Activities implemented jointly.* Activities Implemented Jointly (AIJ) under the FCCC AIJ Pilot Phase implies that countries contract with parties in another country to reduce that country's GHG emissions. AIJ can be an important mechanism for stimulating additional resource flows for the global environmental good. With Norway's cofinancing, the Bank has expanded its collaborative AIJ Work Program to clarify how AIJ and other market mechanisms can promote the Bank's client countries' interests.

Figure 6.1 Fossil fuel subsidy rates in five countries in Eastern Europe
(percent)



Note: Liberalization in five Eastern European countries (Bulgaria, Former Republic of Czechoslovakia, Hungary, Poland, and Romania) has led to dramatic decreases in implicit and explicit subsidies on fossil fuel. Total fossil fuel subsidies fell from \$14.4 billion in 1990/91 to \$6 billion in 1995, a drop of 4.3 percent of GNP.

Source: International Energy Agency, World Bank, and calculations by John Dixon and Kirk Hamilton, Environment Department, World Bank.

Lessons Learned

Concerning national atmospheric pollution and ozone layer protection, perhaps the principal lesson learned is the need to shift priorities in developing countries. From an earlier preoccupation with setting standards and finding resources, environmental managers are increasingly recognizing the importance of cost effectiveness in formulating and applying solutions. Efficient resource allocation and "bang for the buck" have become post-Rio watchwords.

Regarding the protection of the global climate system, a different cost-effectiveness ethic prevails. Here the preoccupation must be on the efficiency of expenditures over the long term. Viewed in these terms, and given the enormity of the climate change problem, leveraging change takes on heightened importance. Influencing official development assistance and private sector resource flows must be a priority.

Challenges Ahead

The challenges in reducing atmospheric pollution lie in two principal domains. The severity of national and global pollution problems strengthens the case for identifying and implementing win-win policy reforms and investments. However, it is not clear how much such efforts will accomplish by themselves.

Going beyond win-win will require a concentrated commitment to mainstream pollution externalities into development planning and decisionmaking. Environmentally friendly alternatives should be evaluated early in the policy and investment cycle, and new resources must be aggressively mobilized to support these alternatives. This will also help identify the underlying synergies in addressing global, regional, and local pollution problems.

Managing Land Sustainably

Proper planning and effective management of land resources is necessary to protect the environment and ensure our future ability to gain sustenance from our surroundings. With this in mind, chapter 10 of *Agenda 21* calls for new approaches to conserving and protecting limited resources such as soil, fresh water, and vegetation. Signatories agreed to link social and economic development with environmental protection and, where possible, environmental enhancement. To achieve this goal, the chapter lists a number of management-related activities that nations and the development community should implement, recommendations in support of efforts to improve data and information systems, and a call for international and regional coordination and cooperation.

Progress since Rio

Since Rio, the Bank has been a key partner in assisting client countries with the development of policies and methodology related to land use planning and land management. One important role the Bank has played has been providing advice and helping arrange technical assistance for National Environmental Action Plans (NEAPs). The development and implementation of land use policies, land tenure systems, and land use planning processes are all recognized as key activities under the intensive environmental planning required by NEAPs. Moreover, to inform its country assistance strategies, the Bank has prepared Country Environment Strategy Papers (CESPs),

which include discussion of land policy issues, for Albania, Belarus, Bulgaria, Côte d'Ivoire, Ethiopia, Hungary, Iran, Kenya, Mali, Mauritania, Romania, Tanzania, Uganda, and Zimbabwe. As a result, most of the current projects in the Bank's agricultural and natural resources lending portfolios have environmental objectives with land use components. Examples are:

- *India Watershed Plains project.* Through the introduction of replicable soil conservation practices such as planting vetiver grass and reforestation, the project seeks to contribute to the reversal of ecological degradation in a variety of agroecological zones covering 265,000 hectares in the rainfed and dryland areas in the states of Gujarat, Orissa, and Rajasthan.
- *Mali Natural Resource Management project.* The project will introduce a land use system designed to reverse natural resource degradation in 150 farm communities. The nature of resource enhancing investments are being defined by local committees and include such practices as stone contours, water harvesting, and improved forest and wildlife habitat management.
- *China Loess Plateau project.* The project is aimed at increasing agricultural production and income in nine tributary watersheds of the Yellow River, while reducing soil losses with various conservation practices. These practices include terracing on slopes between 5 and 25 degrees, expanding forest cover from 14 percent to 28 percent of the land area, and constructing sediment control dams.

The Bank has also been very active in supporting the development of Forestry Action Plans, such as those for Ethiopia and Tanzania, which employ an integrated approach to the management of land resources. In addition, the Bank has supported several subregional initiatives, such as the Desertification Control Initiative in the Middle East and the Collaborative Research Initiative for Sustaining Rice-Wheat Cropping Systems in the Indo-Gangetic Plain, which address the issues of conflicting land uses and suboptimal land management.

In countries with highly skewed land ownership, redistributive land reform can have high equity and efficiency benefits. This is not a new insight, but land reform was discredited during the 1980s under the weight of unduly high-cost, government-administered land acquisition and redistribution programs. At that time, no practicable alternative was in sight. However, since Rio, the Bank has developed the concept of negotiated, or market-assisted, land reform and has provided technical assistance to countries interested in piloting this approach, including Brazil, Colombia, Guatemala, and South Africa. Together with the Food and Agriculture Organization of the United Nations (FAO) and the International Fund for Agricultural Development (IFAD), the Bank is establishing a learning network of interested partners.

Lessons Learned

Much has been learned since Rio about what kinds of land use planning and resource management work best. These lessons include:

- Land resource use will be most efficient when all stakeholders are involved in the negotiation and decisionmaking processes.
- Resource management must be pursued at the community level, using demand-based approaches. In rural areas, individual farmers, both men and women, as well as farmers' organizations, are crucial resources and must actively participate in planning and decisionmaking.
- Land registration facilities can have high pay-offs in terms of increased on-farm investments and incomes, in circumstances where land disputes are common and land transitions are high-cost or high-risk.

Challenges Ahead

The main challenges facing the Bank, its clients, and partners in the upcoming years are:

- *To put in place all the ingredients of sustainable land management.* These include: improved technologies, land reform laws and regulations, and supportive institutional mechanisms at local and national levels. It will also be necessary to show through pilot projects that, by taking a longer view, farmers can increase production and increase their net returns by adopting environmentally friendly practices. Recently, the Bank helped launch an international consortium, the Soil Fertility Initiative, to disseminate appropriate technologies for organic and inorganic fertilizer, erosion control, and water management, as well as economic valuations of soil fertility benefits.
- *To develop decentralized information systems on land-related issues.* These include use of reliable indicators to assess and monitor changes in the conditions of the land and availability of this information to all stakeholders, including those at the grassroots. This will require innovative thinking and increased international and national coordination to develop (1) appropriate information dissemination systems, and (2) education and training on how to use the information as well as on how to negotiate on a more equal basis with other classes of stakeholders, such as commercial interests. Together the Bank, UNEP, UNDP, FAO, and the Consultative Group on International Agricultural Research (CGIAR) have launched a new program on land quality indicators.
- *To merge urban and rural interests by recycling usable organic wastes from urban communities for agricultural purposes.* This process includes use of compost and municipal solid waste to improve soil health and productivity, wastewater reuse for irrigation, and sewage-fed aquaculture. There are some successful waste recycling programs around the world, but for the following reasons the time is now right to make these practices universal: social behavior is changing from "throw away" to "recycle," and conventional methods of disposing of waste are becoming scarce, expensive, and/or socially and environmentally unacceptable. Moving in this holistic direction will have win-win benefits.

Combating Deforestation

Forests are immensely important to the world's ecology, affecting the climate both locally and globally, sequestering carbon, preserving rainwater, supporting biodiversity, and providing important renewable resources. Poor policies throughout the world, however, have caused widespread damage to forests or led to deforestation. In recognition of the need to reverse these trends, chapter 11 of *Agenda 21* calls on nations to strengthen the institutions in charge of conservation and management of forests and improve the level of knowledge and skills necessary to carry out these tasks.

Progress since Rio

Forest policy represents a relatively new concern for the World Bank. *The Forest Sector: A World Bank Policy Paper* was first printed in September 1991. That paper reflected the concern over rapid deforestation in the developing world, notably in tropical forest countries. It proposed a strategy based on international cooperation (particularly, transfers from richer countries to encourage biodiversity conservation and carbon sequestration in forested areas), policy reform and institutional strengthening in the forestry sector, resource expansion, and protection of valuable intact forest areas.

Since the Rio conference, the Bank has continued to invest in forest protection and sustainability, giving stronger emphasis to major cross-cutting issues such as poverty alleviation and participation in its interventions, and pursuing much more extensive partnerships with

NGOs and other interest groups in their implementation. Since 1992, the Bank has invested in approximately sixty projects with a major impact on forests—a total of \$3.1 billion in lending and associated cofinancing loans or grants. In addition, since 1992, the Bank has processed disbursements of approximately \$1.7 billion under the Global Environment Facility. Much of this has been directed toward projects involving forest biodiversity in some significant way. Although the assessment is subjective, most operatives in forestry within the Bank, in major NGOs, and in client governments believe that, since Rio, the Bank has worked both more extensively and more successfully with other interest groups in its forest-related programs. The Bank has participated in major international forest-based initiatives, such as the Intergovernmental Panel on Forests and the World Commission on Forestry, both of which are due to present findings to the United Nations Council on Sustainable Development later in 1997.

In 1994, the Bank reviewed implementation of its 1991 sector policy in its forestry portfolio. That review found that although significant progress had been made since 1991 in project design, the rate of deforestation has remained stubbornly high, at around 15 million hectares per year. In many countries, forests remain seriously undervalued, and controversy over objectives and practices continues to be a serious problem. The 1994 report recommended targeting poverty, integrating conservation and production objectives more successfully, stimulating appropriate

private sector investment, and monitoring non-forestry activities more closely for their impacts on forests.

Lessons Learned

In the years since Rio, the Bank has learned some important lessons about what is causing forests to become degraded or destroyed, but less about what can be done to stop this process.

Deforestation and the more hidden, but potentially far more extensive, problem of forest degradation occur because forests are undervalued in terms of their outputs (wood and non-wood) and their intrinsic value.

Because of poor incentives, different interest groups are not properly discouraged from using forests in an unsustainable manner.

- Commercial interests take a short-term, exploitative approach often utilizing powerful political and economic influence to achieve their ends.
- Poor communities living in or near forests are excluded from any meaningful share or role in the sustainable use of the resource, and thus turn to deforestation and conversion to other forms of land use as the only alternatives.
- Government agencies and others responsible for forest land decisionmaking frequently sanction or promote deforestation and conversion options, where proper evaluation and analysis would preclude them.

It is clear that efforts to preserve forests by denying people access to them will not work in the regions where deforestation is occurring most rapidly. Therefore, sustainable forest use, with adequate and well-planned zoning, is the best hope of stemming forest and biodiversity loss in most of the remaining natural forest which is accessible for human use. But such a pattern of use will only emerge if:

- Governments, donors, and other interest groups agree on reasonably detailed policy and institutional reforms.
- Governments then act to implement such changes, and donors act jointly to support these changes.
- The international private sector mobilizes more effectively, both on the supply side, by invest-

ing in sustainable options in forested countries, and on the demand side, by exercising strong preference for forest products from sustainably managed forests.

Challenges Ahead

To contribute to achieving these changes, the Bank will need to alter its approach to combating deforestation in various ways. These include:

- Interventions in the forests will be prioritized, according to the scale of the environmental, social, and economic impact in each case.
- In high priority countries or regions, an attempt will be made to develop a consensus on needed reforms and investments by working with client governments, other donors, and other interest groups including the NGO community and the private sector.
- After a strategy for change is agreed, the instruments available to the Bank—especially those related to major adjustment and country strategy implementation—will be reviewed for each priority country and included in a program of intervention in the sector.
- This strategy will be designed in close consultation with partners in government and other interest groups, so that a coordinated and effective effort is mounted.
- When designing its own interventions, the Bank will take greater account of other donor and interest groups' ongoing or projected programs. The Bank will also develop new or expanded ways of working with partners in the forestry sector. These include joint donor-private sector-NGO financing and implementation of major forests projects in selected countries, consultative mechanisms aimed at production of joint strategies and program design, and support for certification and other market-oriented mechanisms for improving incentives for sustainability.

These contemplated changes will not be easy, and the success of the new approach will rely heavily on finding common cause with clients and other partners. Even where agreement is possible, it may involve a prolonged consultative process, during which the Bank (and others) may have to postpone previously planned investments until sufficient direction has been attained. The effort to combat deforestation has been joined, but, clearly, much remains to be done.

Managing Fragile Ecosystems: Combating Desertification and Drought

Arid and semiarid lands are among the world's most inherently fragile ecosystems. Often, the same qualities that make these areas fragile also make them ecologically important, as their unique properties contribute to biodiversity in the regions themselves and to global biodiversity collectively. As a result, human encroachment on these fragile ecosystems, especially unsustainable use, can cause disproportionate harm to the environment and, ultimately, to people as well. To protect drylands ecosystems, chapter 12 of *Agenda 21* calls for improvements in the knowledge base, efforts to conserve soil and promote forestation, and programs to fight poverty and help drought-prone areas.

Progress since Rio

Chapter 12 of *Agenda 21* contains six program areas, each of which outlines measures at international, regional, national, and local levels to prevent and reverse the degradation of drylands resources.

At the international level, the most important action since Rio has been the conclusion of the negotiations on the Convention to Combat Desertification and subsequent ratification by state parties sufficient for it to enter into force on December 6, 1996. The convention places heavy emphasis on the involvement of nongovernmental organizations and the need for community-based, "bottom-up" approaches involving all stakeholders in drylands planning and management. The World Bank supported the convention during its drafting and negotiation and

anticipates being an active partner in its implementation by bringing an array of instruments to bear. By engaging in policy dialogue, providing technical assistance and project financing, and assisting in project implementation, the Bank looks forward to working with member states in addressing the challenge of desertification in its environmental, economic, and social dimensions.

From 1990 to 1995, the Bank financed 108 projects to improve natural resources management in drylands areas. The Bank's contribution totaled \$6.8 billion and leveraged an additional \$13.4 billion. Within this portfolio, 34 projects dealt primarily with land degradation. Bank financing for this portion totaled over \$1.3 billion and leveraged an additional \$0.9 billion. At present, 57 Bank-financed projects directed towards desertification problems are under preparation. Over the next three years, these project proposals are expected to result in an additional Bank funding commitment of \$2.3 billion and to leverage an additional \$2.7 billion.

Lessons Learned

Common characteristics of successful drylands projects are that they:

- Focus on the positive synergies among poverty reduction, economic efficiency, and environmental protection
- Are developed with, not for, the beneficiaries
- Are based on an integrated approach to natural resources and environmental planning and management, utilizing country-driven national environmental action plans (NEAPs).

An important lesson from earlier projects is that benefits cannot be adequately measured in terms of average outcomes. The focus has to be on probable outcomes and has to address the key question faced by drylands peoples: What can be done in an abnormally dry year? Well-intentioned drylands management projects will fail if they do not address, or reinforce, coping mechanisms in dry years.

An additional important lesson is that traditional knowledge, even more in drylands than elsewhere, is especially valuable. As rainfall declines, coefficients of variation increase. For drylands peoples, a dry year can be a matter of life or death, first for livestock, and second for human beings. Understanding traditional coping mechanisms and bringing them to the fore in project preparation are vital for successful project design.

Challenges Ahead

The 1996 ratification of the Convention to Combat Desertification was a major accomplishment. Major future challenges are:

- The analytical justification for investment in drylands management, rather than in health and education, is to enable drylands peoples to become more productive migrants. This justification has to be more clearly established. Doing so will require creative valuation of the multifaceted benefits of thriving drylands economies. Without this correct analysis being made widely available, governments and donors will invest elsewhere.
- The interrelation between extensive "rainy season" pastoralism and concentrated "dry season" forage resources has to be much better understood so that government policies and regulations can be based on full valuation of alternatives. In northern Nigeria and elsewhere, by greatly improving crop yields in low-lying depressions, *fadama* (gently sloping bottomland where water gathers) development has been widely hailed as successful. These low-lying areas have played an important, perhaps critical, role in providing dry-season forage for livestock that could be extensively grazed in "arid" areas during the rainy season. If the critical limit to extensive pastoralism is access to dry-season forage, *fadama* development has high opportunity costs that should be taken into account in assessing options.
- The question of *who* gains or loses must be addressed. *Fadama* development may be beneficial in aggregate, but what if the beneficiaries are relatively well-off sedentary crop farmers and the losers are relatively poor transhumant pastoralists? Compensation mechanisms will have to be devised if social, and perhaps political, problems are to be avoided.

Linking Sustainable Agriculture and Rural Development

As population continues to increase, most notably in developing countries, one of the great political and technological challenges facing the world is the need to increase food production sustainably. Chapter 14 of *Agenda 21* proposes a number of program areas aimed at meeting this challenge. It argues that the priority is to increase productivity of land and water already in use in order to avoid further encroachment on marginal land and natural, often forested, habitat. Chapter 32 of *Agenda 21* emphasizes the need to (directly) engage farmers and strengthen their roles.

Progress since Rio

Globally, the best measure of the adequacy of food supply to meet demand is the trend in world grain prices. Despite a sharp rise during 1994-1996, grain prices in 1997 are at almost the same levels as in 1992. This suggests that a large part of the challenge has been met, in the short run at least. But:

- Has productivity increased? Although no single index is appropriate, a good indicator is the trend in world grain yields. These yields grew at an annual rate of 2.1 percent during the 1980s but fell to less than 1 percent during the 1990s.
- Has encroachment declined? Again, no single indicator is appropriate, but it is very disturbing that the rate of deforestation in the tropics, of which agricultural encroachment is the principal cause, has not declined.
- Has sustainability improved? In view of the acute measurement problems, this question is

hard to answer. Techniques such as conservation tillage, integrated plant nutrition, and integrated pest management are being promoted in many Bank-financed projects and are being adopted more widely but not nearly fast enough.

Progress has been made in several programmatic areas in many countries. Working with a variety of partners, the World Bank has made major changes in its approach to rural development:

- In rural sector strategy and policy formulation, the scope of analytical work has been broadened from the agricultural sector to the wider rural economy, with sector adjustment operations incorporating win-win measures, such as removal of subsidies on agrochemicals and land tenure reform.
- As countries move beyond adjustment, time-slice funding of the public expenditure program, or sector investment lending, becomes possible. Earlier innovations in Morocco and Tunisia have recently been carried further in Zambia, where 150 projects supported by 20 donors have been integrated into an overall sectoral expenditure program. Similar exercises are coming to fruition in Kenya and Pakistan.
- In rural development, a "matching grant" approach to local and community-driven development was undertaken in northeast Brazil. This approach has turned around a large, poorly performing portfolio of area development projects and made it a flexible, participatory, and cost-effective poverty reduction program.
- In irrigation and drainage, the perennial operations and maintenance problem can be reduced

by transferring responsibilities for operations and maintenance from centralized or regional irrigation agencies to local users' associations. This was first shown on a large scale in Mexico, has been rapidly adopted in Turkey, and is being widely disseminated through a worldwide Participatory Irrigation Network.

- In natural resources management, a community-based approach to resource allocation, enforcement, and maintenance has proven successful in such diverse circumstances as Burkina Faso and southern Brazil. These experiences were started prior to Rio, but the evidence of success has come later.
- In rural finance, the emphasis has shifted from providing agricultural credit to supporting the development of rural financial services. This change was pioneered by nongovernmental organizations and predates Rio, although support for it has lately gained momentum, culminating in the 1997 Microcredit Summit. The Bank has supported successful institutional innovation in providing microfinance to the poor in circumstances as diverse as Albania (village funds) and Benin (savings and loans associations).
- In land policy and land reform, the Bank has led the development of new market-assisted approaches to redistributive land reform in South Africa and in Latin American countries including Brazil, Colombia, and Guatemala. Farm restructuring has also received much attention in Central Asia and Eastern Europe.

In institutional development, the Bank supported three different but related approaches: (1) decentralization of government (for example, in Brazil and Colombia), (2) empowering farmers (as in Burkina Faso and Mali), and (3) involving the private sector (for example, Chile, Estonia, and Nicaragua). The Bank has focused more on sustainable agriculture through support to farmers' organizations that aim to manage common resources more sustainably, market produce and ensure input supply, and ensure security of tenure. Also, over the past five years more women farmers were positively affected by Bank-supported projects than before.

Lessons Learned

Four lessons stand out because they cut across the diverse domains in which progress has been recorded.

- Recognition is widespread in the Bank and, increasingly, in client governments, other donors, and civil society that public expenditure has to be focused on public goods and that government need not deliver such goods itself (or through parastatal organizations). During the 1980s, much effort was put into parastatal reform in the misguided belief that parastatals could be reformed. During the 1990s, the focus is on the more profound questions: What functions warrant public funding? What is the best delivery mechanism among the many (nonpublic) options?
- Public support of farmer organizations is justified for three reasons: (1) it provides a public good that would not otherwise be provided; (2) it ensures better quality and more cost-effective public (and private) rural services by a more demanding, contributing, and sophisticated clientele; and (3) it contributes to sustainable development because of the resulting increased capacity to manage and fund farmer organizations.
- There is now widespread recognition in the Bank and elsewhere that participation *matters*. The concept is not new but was often treated as a promising idea that needed to be tested. Now, the evidence is in. Participation is at the core of the progress recorded above in rural development, irrigation, and drainage, and natural resources management.

Challenges Ahead

Three principal challenges lie ahead:

- *Complacency.* The success to date of agriculture in feeding the world has induced widespread complacency in governments, donors, and much public discourse. On the donor side, official development assistance (ODA) for agriculture has declined by 50 percent over the last decade. Interest was reawakened during the 1994-1996 grain price spike but soon dissipated. Attacking complacency is a major challenge to meeting the objectives set out in chapter 14 of *Agenda 21*. In most countries, significant poverty reduction still requires effective rural development. Therefore, the Bank has designated rural development as one of its six thematic priorities and will shortly issue its action plan, *Rural Development: From Vision to Action*, which the Bank will seek to implement with its many partners.

- *Research and information.* Obtaining increased productivity of land and water already in use will require a substantial, sustained investment in agricultural research. In many countries, particularly in Africa, investment in research is declining. Private investment in agricultural research, which far exceeds public spending, has probably increased over the last five years. This is to be welcomed, but the limits of private research have to be recognized. Many aspects of sustainable farming systems will not generate benefits that can be appropriated and thereby remunerate private research. Worldwide, investment in the Consultative Group on International Agricultural Research by its fifty-three public and private sector members declined in the early 1990s. Although this decline has been reversed, strong efforts will be required to retain the recent gains.
- *Information technology.* A related challenge is to increase investment in information technology to inform and empower rural people. It has enormous and often recognized potential, but there is still very limited investment in making it work for the rural poor.
- *Incentives.* Sustainable farming systems are more information-intensive than input-intensive. Sustainable farming will require more labor, and more skilled labor and management, than current farming systems. When incomes rise rapidly, as in much of East Asia, the opportunity cost of the extra skilled labor input required to farm more sustainably will increase and could offset gains made from reduced input use or higher yields. Farmers could find less sustainable farming more profitable. In this event, fiscal measures and/or regulations would have to be devised and enforced to promote sustainable farming. OECD countries have put in place a wide variety of such measures. Assessing when such measures will be required in developing countries and finding workable solutions for putting them in place will be a formidable challenge.
- *Pluralism.* It is easy to see how different types of farmers need different types of services, supplied by and paid for through different mechanisms. One major question will be the role of government: facilitator, implementor, financier, controller, or a combination thereof? Making the case for further strengthening the role of farmers will require better justification on economic, technical, environmental, and political grounds. Therefore, better indicators and more participatory mechanisms to use them need to be developed and employed.

Conserving Biological Diversity

The conservation and sustainable use of biodiversity, and the fair and equitable sharing of the benefits arising from its use, are fundamental to socioeconomic development and poverty alleviation. While biodiversity is being lost at an alarming rate, the welfare of the world's rural poor continues to be closely linked to biological resources, which often provide subsistence in the form of food, supplies, medicines, and shelter as well as employment and income from marketed biological products. In addition, biodiversity loss may rob future generations of genetic varieties that could be very important in medicine or new technology. Chapter 15 of *Agenda 21* calls for the entry into force of the International Convention on Biological Diversity (CBD), along with other measures to preserve genetic resources and promote sustainable development.

Progress since Rio

Many of the Bank's client countries have ratified the Convention on Biological Diversity. By doing so, they have formally acknowledged the priority they accord to conserving and sustainably using the world's biodiversity and protecting the ecological processes that shape and sustain it. The Bank is committed to helping its developing country partners meet their CBD obligations. Following considerable consultation with external stakeholders and partners, in fiscal 1996 the Bank finalized its Biodiversity Assistance Strategy (see *Mainstreaming Biodiversity in Development: A World*

Bank Assistance Strategy for Implementing the Convention on Biological Diversity, 1995) and presented it to the Second Conference of the Parties to the CBD in Jakarta. Underlying the strategy is the recognition that, while protected areas are important and necessary, they are not sufficient for biodiversity conservation. The reason is that significant biodiversity is located in land- and water-scapes outside protected areas, and the opportunity cost to developing nations of not using these resources is prohibitive. This strategy now guides the evolution of Bank support from the traditional focus on targeted government-led conservation efforts toward "mainstreaming" biodiversity concerns.

Targeted Conservation Efforts

Bank biodiversity lending has grown rapidly in recent years and totals \$956 million for 101 projects or project components in 56 countries. Of the total commitment, \$619 million represents borrowing by client countries through IBRD loans or IDA credits, and another \$337 million exists as grants to client governments from the Bank-administered Global Environment Facility or the Brazil Rain Forest Trust Fund. This investment has leveraged an additional \$536 million from other donors and borrowing governments, bringing the total commitment since 1988 to \$1.34 billion.

In addition to projects and project components with specific biodiversity objectives (the biodiversity portfolio), the Bank has supported many

other environmental projects (the environment portfolio) that may also have positive, although indirect, impacts upon biodiversity. Of these environmental projects, those aimed at improving natural resources management ("green" projects) and those designed to strengthen environmental institutions ("institutional" projects) may help conserve biodiversity through improved natural resources management and development of appropriate incentives and policies.

Mainstreaming Biodiversity in Productive Sectors

As part of its commitment to incorporate biodiversity into all its lending, the Bank finalized its Operational Policy on Natural Habitats (OP 4.40). This policy recognizes loss of natural habitat as the main threat to biodiversity and commits that the Bank will not support projects involving the significant conversion or degradation of critical natural habitats. Wherever feasible, other natural habitats are also avoided entirely by locating projects on lands already cleared or converted. Where avoidance is not feasible and environmental assessment indicates that a project would significantly convert or degrade natural habitats, the Bank requires that the project include acceptable mitigation measures, such as the establishment and maintenance of an ecologically similar protected area.

A key element of the Bank's Biodiversity Assistance Strategy is development of biodiversity-friendly sector policies and programs. For this purpose, in 1995 the Bank launched its Global Overlays Program, which seeks to develop the conceptual framework and toolkit for mainstreaming global environmental objectives in national environmental planning and Bank operations. The initial focus of the Global Overlays Program has been on mainstreaming biodiversity conservation in agricultural development. Toward this end, *Mainstreaming Biodiversity in Agricultural Development: Towards Good Practice* was presented to the Third Conference of the Parties to the CBD in Buenos Aires in November 1996 (published World Bank 1997).

Partnerships

The Bank's Biodiversity Assistance Strategy recognizes that successful conservation depends on active partnerships among stakeholders—government, local communities, the private sector,

NGOs, and international institutions. To this end, the Bank has worked actively with Conservation International, the World Conservation Union (IUCN), the World Wildlife Fund, the World Resources Institute, and many other national and international NGOs to explore the possibilities for support mechanisms to amplify the effectiveness of existing government-led conservation activities through NGO and community-based actions.

With its partners, the Bank has also provided support for biodiversity conservation by preparing regional biodiversity strategies and priority-setting exercises. For example, in collaboration with World Wildlife Fund, the Bank undertook a key priority-setting exercise for terrestrial ecoregions of Latin America and the Caribbean, *A Conservation Assessment of the Terrestrial Ecoregions of Latin America and the Caribbean* (World Bank in association with World Wildlife Fund, 1995). This book provides a regional overview of the conservation status and biological distinctiveness of 191 ecoregions that comprise the land-based natural habitats of Latin America and the Caribbean and demonstrates that high-priority areas for biodiversity conservation are located throughout the region.

Lessons Learned

In 1995, the Bank undertook an in-depth review of its support for biodiversity conservation. The main lessons which have emerged from this experience are to:

- Engage and empower local communities, indigenous peoples, NGOs, and other stakeholders as partners in designing and implementing projects
- Monitor and evaluate arrangements in projects against specific outcomes or processes and adopt an action-learning approach with the flexibility to take account of lessons learned during implementation
- Identify institutional weaknesses or instabilities that are frequently the source of problems. Nonetheless, also recognize that "problem projects" can still achieve gains—often complicating measures to gauge success or failure in biodiversity conservation
- Be as precise as possible in estimating in advance the amount of time that planning for protected area management will require.

Challenges Ahead

- For the Bank to play an effective role in pursuing biodiversity conservation and sustainable use, it must go beyond traditional targeted lending. The large scale of Bank investment in traditional natural resource sectors, such as agriculture, forestry, and fisheries, as well as in industry, energy and infrastructure—about \$20 billion per year—underscores the importance of integrating biodiversity conservation with economic development. The Bank's initial focus has been on mainstreaming biodiversity concerns in agriculture, with work being undertaken in all the Bank's regions. New efforts will focus on forests and land degradation, among others. The challenge remains to develop a toolkit for implementation of this new framework and to test the approach in a few countries.
- Sustainable use and biodiversity conservation also require addressing the social and economic contexts. In the case of the rural poor, biological resources often provide the single most important source of economic and social well-being in the form of food supplies, medicine, shelter, income, employment, and cultural integrity. Successful biodiversity conservation also depends on sound policies and effective institutional and social arrangements. Because policy work and organizational structure usually fall outside the domain of traditional conservation, these are two areas on which the Bank must particularly focus attention.
- Recognizing that no one party has the franchise on wisdom in the complex and challenging area of biodiversity, the Bank must forge partnerships with local groups in areas where biodiversity is threatened. Even more than in other areas of sustainable development, successful efforts to preserve biodiversity require strong consensus.

Integrating Science and Biotechnology in Sustainable Development

Science and technology must play a central role in the movement toward sustainable development. Scientific research will be crucial in increasing understanding about how human activity affects the environment, especially in such complex issues as climate change. New technologies hold the promise of resolving many current problems if they are properly applied and disseminated. Biotechnology, the science of changing the genetic code in plants, animals, and microbial systems to create useful products and technologies, is quickly emerging, with great potential but also with pitfalls. With proper management, however, biotechnology can make significant contributions to sustainable development in a variety of areas, including health, agriculture, and pollution reduction, and the clean-up of toxic chemicals.

Chapters 31 and 35 of *Agenda 21* recognize the critical role of scientists, science and technology in the development process. These chapters emphasize that countries need to access, generate, and utilize knowledge to achieve sustainable development, and that dialogue among the scientific and technical communities and policymakers is essential. In recognition of the importance of biotechnology, chapter 16 of *Agenda 21* sets out program areas designed to establish enabling mechanisms for its development and use, especially within developing countries, and to foster internationally agreed principles on the proper management of technology.

Progress since Rio

Through IBRD, IDA, and the GEF, the Bank has assisted its client countries by facilitating interactions among scientists, engineers, economists, and policymakers. It has also established partnerships among these groups and civil society, environmental NGOs, and the private sector. Since Rio, the Bank has supported a variety of activities focused on the use and development of science and technology in general, and biotechnology in particular. These include:

- *Knowledge assessment.* In conjunction with the U.S. National Research Council, the Bank has recently developed a knowledge assessment process to help countries analyze their capabilities to participate in the knowledge revolution.
- *Capacity building through technology centers and universities.* The Bank has supported the development of capacity to enable policymakers and researchers to engage in science and technology. Specifically, the Bank has assisted a number of client countries to improve their scientific and technical infrastructure through technology centers and universities. Examples include a project in China to support reforms in technology policy and institutions to promote the development of clean, productive technologies; a project in India to support technology institutions and forty public sector research establishments; and a project in Africa to support university-level institutional capacity. The Bank has also supported and published studies, such as *Enabling the Safe Use of Biotechnology: Principles and Practice* (1996),

which increase public awareness and understanding of biotechnology policy issues.

- *Institutional and human capacity building through the Consultative Group on International Agricultural Research.* The Bank has supported infrastructure development to help create an environment conducive to promoting science, technology, and biotechnology, particularly through support to agricultural research. The Bank has worked closely with its partners in the CGIAR, a South-North coalition supporting sixteen agricultural research centers dedicated to promoting sustainable agriculture for food security in developing countries. Research will focus on increasing productivity, protecting the environment, preserving biodiversity, improving policies, and strengthening national research.
- *Institutional and human capacity building through Economic Development Institute (EDI) training courses:* EDI conducts multi-year, interactive learning programs for officials from developing countries to help them plan and manage their national investments more productively. About 4,500 policymakers participate in some 150 EDI program activities each year.
- *Partnerships.* The Bank is promoting innovative partnerships between national programs and advanced research institutes, both public and private. It is also promoting the development of a Global Agricultural Research System, which will help bring biotechnology products from the advanced research institutes to the fields of poor farmers in different parts of the world (see *The Emergence of a Global Agricultural Research System*, World Bank 1996). In addition, the Bank has developed the Banana Improvement Project, cosponsored by the Common Fund for Commodities and the FAO, which supports biotechnology research on important production constraints for developing countries.
- *Global environment.* The World Bank has been working closely with client countries utilizing the concessionary funds of the Global Environment Facility to learn more about climate change, biodiversity, stratospheric ozone depletion, and international waters. GEF funding has enabled the use of new technologies in many regions, such as solar water heating in Tunisia. It also supports capacity building for scientists and technical experts and a limited number of targeted research projects.

- *Policy reform.* The Bank has supported policy reform relating to the use of biotechnology, including biosafety regulations, which cover experimentation, testing, and release of modified organisms, and intellectual property rights.
- *Germplasm conservation.* Through the CGIAR, the Bank has also been instrumental in supporting the collection and preservation of agricultural accessions (germplasm), which are the foundation of biotechnology projects in agriculture. Similarly, the Bank is beginning to support germplasm conservation with funding from the GEF.

Lessons Learned

The field of biotechnology is relatively new, but several important lessons have emerged concerning biotechnology.

- Most biotechnology research is focused on what industrialized countries perceive as needs and opportunities. Very little attention is paid to developing countries. Because private companies are the major investors in biotechnology research, developing countries must find ways to attract and engage private enterprise in research activities relevant to their national needs.
- Intellectual property rights have a big impact on high technology activities by private enterprise. Very little high technology work occurs in countries with weak patent laws, where companies are willing to transfer "old technologies" only. Developing countries need to strengthen their intellectual property laws.
- Biotechnology requires substantial investments in basic research, an extensive knowledge base and sophisticated human capacity, and is a long-term endeavor. Partnerships between the industrialized countries and developing countries are essential for the initial phase of biotechnology development in developing countries.

Challenges Ahead

Major challenges lie ahead:

- Knowledge management is only starting to make its way through governments and donor agencies. There is an urgent need to enhance knowledge access, creation, dissemination, and use so that national policymakers can base their decisions on accurate data. The initial steps will re-

quire performing knowledge assessments in most countries to assess their strengths and weaknesses and will almost certainly require a significant strengthening of the scientific and technical infrastructure in most developing countries. One particular challenge will be to create incentives to stem the brain-drain whereby many developing countries are losing some of their best and brightest to the industrialized world.

- In biotechnology, the enormous gap between industrialized nations and the developing world is growing wider every day. The developing nations realize this and are very interested in working with the Bank and other donors on capacity building, government policy, and private sector involvement in biotechnology. Clearly, if the promise of biotechnology is to benefit the developing world, intervention by the international community is necessary, including partnerships with the major research laboratories. The Bank has begun to support such efforts and is poised to do more. The promises of biotechnology are great, but the path to products which will be used by the Bank's clients will prove challenging. Issues which must be addressed before the benefits are realized include:
 - a. Building human and institutional capacity to effectively engage the developing world in biotechnology. Initially, gaining access to

biotechnology products from the industrialized world will be important. Finding innovative ways to involve the private sector in technology development relevant to the developing world (such as Costa Rica and Merck) will be very important.

- b. Enacting national policies to address biosafety and intellectual property rights issues.
- c. Addressing the crucial ethical and moral issues involved in biotechnology. On the human health side, there are issues relating to the extent to which intervention should be allowed (for example, genetic manipulation to correct/improve humans, diagnosis). Biotechnologists have the ability to go way beyond "nature" and utilize genetic material from both kingdoms, plant, and animal!
- d. Enhancing public awareness and understanding of how the application of biotechnology can play a vital role in improving the quality of life for people all over the world.
- e. Ensuring that scientists have access to information on new technologies and techniques. Access to journals, web-sites, and other modern telecommunications is essential.

Protecting Oceans, Seas, and Coastal Areas

The world's oceans and seas are linked to many bodies of fresh water through coastal areas, and the two form an interdependent ecosystem that spawns much of the world's marine life. Chapter 17 of *Agenda 21* sets forth a series of program areas aimed at protecting the marine environment, promoting sustainable use of marine living resources, and strengthening international cooperation.

Progress since Rio

In the past, Bank activities related to marine and coastal management focused on discrete areas, such as fisheries and aquaculture; water supply, sewerage, and waste disposal; ports development; and coastal erosion protection. Since the Rio Earth Summit, however, the Bank and other development practitioners are emphasizing an Integrated Coastal Zone Management (ICZM) approach. Invoked in a number of international conventions, most recently the 1995 Jakarta Mandate under the Convention on Biological Diversity, ICZM provides a unifying framework for protecting and managing the world's oceans and coastal areas consistent with environmentally sustainable development. Since 1993, the Bank has promoted the establishment of integrated coastal zone planning and management in client countries through (a) awareness creation and capacity building, (b) investment, and (c) partnerships. These efforts have paralleled support for marine environmental protection, including pollution control and conservation of marine biodiversity.

Awareness Creation and Capacity Building

Strategic and analytical work by the Bank has included the regional strategy, *Africa: A Framework for Integrated Coastal Zone Management* (ENVLW/AFTES 1994, 1996); best practice in the form of recently published *Guidelines for Integrated Coastal Zone Management* (1996); and periodic technical updates to the *Environmental Assessment Sourcebook* (World Bank 1991) dealing with the coastal zone. This work has promoted a greater appreciation—both within the Bank and among borrower nations—of the complex issues confronting development planners in coastal areas. Since 1994, the Bank has also helped train over 300 professionals inside and outside the Bank in ICZM principles and implementation. Much of this training has focused on Africa in an effort to strengthen capacity in a region where ICZM was virtually unknown as an environmental management tool prior to the Rio Conference.

Investment Portfolio

This combination of awareness creation and capacity building has led to growing investment by client countries in coastal and marine resources management programs, with support from the Bank and GEF. Although the number of dedicated projects that the Bank is financing is still small, the current portfolio includes some \$320 million for projects and activities that directly contribute to the establishment of ICZM. These projects include strengthening institutions and developing technical skills; establishing environmental systems to identify problems and target interventions; reforming marine policy and improving

regulatory frameworks; and introducing innovative, sustainable production technologies. In addition, strategies are being explored for sustainable mariculture, ecotourism, marine bioprospecting, and microenterprise. The Indonesia Coral Reef Rehabilitation and Management Project and the Madagascar Second Environment Programme Support Project are pilot efforts also receiving support.

Through capital investments in water supply and sanitation, improved port reception facilities for ship-based waste and marine pollution abatement, and cleaner production technologies for coastal industries, the Bank is also contributing to improving the quality of waters in the coastal zone and protecting international waters farther out. Such investments include the Wider Caribbean Initiative for Ship-Generated Waste, the Seychelles Biodiversity Conservation and Marine Pollution Abatement Project, and the Lebanon Solid Waste and Environmental Management Project. Other projects include the Wider Caribbean Initiative, Preparation for Adaptation to Climate Change, and a series of ecorestoration and biodiversity conservation projects in the island states of the Western Indian Ocean.

Partnerships

The Bank has forged partnerships with a number of bilateral, nongovernmental, and private organizations, particularly in the areas of marine environmental protection and strengthening cooperation. The Bank and the Swedish International Development Authority (SIDA), in particular, have worked closely to strengthen regional capacity and cooperation in managing coastal and marine resources of the Western Indian Ocean. Joint efforts have facilitated the adoption of the Arusha Resolution, a regional resolution on coastal zone management adopted in 1993 by the nations of Eastern Africa and the Island States.

The Bank has been a partner in the International Coral Reef Initiative since its inception in 1995. It is also involved in a partnership with the Great Barrier Reef Marine Park Authority and the IUCN to establish and improve the management of marine protected areas in priority high biodiversity and ecology sites. The results of this priority-setting exercise were published by the Bank in a four-volume report, *A Global Representative System of Marine Protected Areas* (ENVLW 1995).

Recommendations of the study are being implemented with GEF assistance and the collaboration of UNDP and UNEP.

Lessons Learned

Bank experience from investment activities is still limited, but experience elsewhere suggests that many ICZM initiatives have stalled at the planning stage. To be sustainable, initiatives in coastal and marine resources management require a supporting context with a number of essential components. They are:

- Integration in broader development planning—at either the national or regional level
- Institutional, legal, and financial support of government
- Local financing schemes for cost recovery, which may include the introduction of user fees, public/private investment, income-generating enterprises, or trust funds
- Support of local communities
- Clear public understanding of the benefits of collective action as well as the costs of inaction
- Partnerships with other institutions.

Challenges Ahead

- A key challenge for the future will be to meaningfully integrate ICZM in broader development planning in nations with significant coastal and marine resources, rapidly expanding urban populations, or coastal industry and maritime interests. In client countries, greater emphasis needs to be placed on establishing the regulatory and institutional framework required to mainstream coastal and marine resources management in national development plans, public sector budgets, and enforcement operations. The IDA-related challenge is for integrated river basin planning to be tied to downstream coastal planning in countries which contribute significant pollution to transnational drainage basins.
- There is also a clear need for robust indicators to accurately assess the progress of ICZM and other programs. The first systematic evaluation of ICZM experience in the Mediterranean is being completed with the support and supervision of the Bank. The results should guide the next round of investments and contribute to a standard evaluation methodology.

Protecting the Quality and Supply of Freshwater Resources

Good quality freshwater is essential for life. Yet, in many regions, this resource is becoming more and more scarce, and in many cases, its quality has deteriorated. To stave off worsening freshwater shortages and pollution, chapter 18 of *Agenda 21* proposes a number of program areas aimed at preserving drinking water, protecting aquatic ecosystems, ensuring that water is available for agricultural purposes, and increasing understanding of the effect of climate change on water resources.

Progress since Rio

The Bank is working to protect the quality and supply of freshwater in a number of ways. To establish an international consensus, the Bank was instrumental in developing agreement on principles for sound water resources management at the 1992 Dublin International Conference and the 1992 Earth Summit. These principles have been articulated in the Bank's *Water Resources Management Policy Paper* (1993), and the *Guide to the Formulation of Water Resources Strategies* (1994).

The Bank has also worked on promoting strategic partnerships. For example, it was a key player in conceptualizing, developing, and launching the Global Water Partnership (GWP) in August 1995. The GWP will assist countries and regions to address water needs holistically and to improve the effectiveness of assistance available from the international community. The Bank also assisted in launching the World Water Council, which will complement the GWP's activities.

The Bank has also sought to change the way that it approaches water projects. Its operations are focusing on the cross-sectoral management of water resources, such that competing economic interests are better accounted for in water use decisions. The Bank has also sought to promote the translation of internationally endorsed management principles into practice. In these activities, four complementary shifts in aquatic resource management activities at the basin, national, and regional levels are being pursued.

Moving from a Segmented to a Comprehensive Framework

An integrated framework is replacing use-based management of water resources. Within the Bank, regional water resources management strategies have been completed for Sub-Saharan Africa, Asia, and Middle East and North Africa (MENA). In Sub-Saharan Africa, for example, the Bank is engaged in major subregional initiatives, including the Southern Africa, Nile Basin, and Volta Basin Water Resources Management Initiatives. In cooperation with the GEF, European Union, and other partners, the Bank has given priority to developing and implementing regional- and basin-level programs that promote integrated strategies for water management. The Bank continues to participate in Environment Programs for the Aral, Baltic and Black Seas, Danube River Basin, Mediterranean Sea, and Red Sea and Gulf of Aden; and in cooperation with UNEP and UNDP, to work on Lake Victoria and the Caspian Sea. The Bank's freshwater work includes integrated

river basin and lake management such as the Asia Water Initiative and activities in eastern, southern and western Africa and the Caribbean.

Moving from an Incremental to a Strategic Approach

The Bank's regional environmental programs and regional and national water resources strategies for river basins and lakes all contribute to a shift from a piecemeal to a strategic investment approach. All identify a diversity of complementary actions—policy, regulatory, management, investment and institutional—which permit environmentally sound management of available resources. In 1996 the Bank's Middle East and North Africa Region conducted regional and national evaluations of water resources management to identify priorities for policy changes, institutional strengthening, and investments. These investments have been complemented in many cases by measures supported by the Mediterranean Environment Technical Assistance Program (METAP) and GEF activities in the Black, Mediterranean, and Red Seas.

Promoting Private Sector Participation in Water Supply

The Bank has been actively involved in promoting private sector involvement in water and sewerage

in its client countries (see box 14.1). For example, in Argentina, the Bank was involved in the preparation and implementation of the Buenos Aires water and sewerage concession which laid the groundwork for privatization. IFC subsequently invested in Aguas Argentinas S.A., the largest water concession in the world and the first major concession in the developing world. Similarly, in Guinea, the Bank was instrumental in the development and implementation of a lease arrangement for water supply in the capital, Conakry, and other major cities. Under a lease, a private sector company is responsible for operations and maintenance, while the government retains responsibility for investments. Bank involvement in transitional economies, including Albania, Bulgaria, Hungary, and Poland, has been primarily on utility reform.

In addition, the Bank is pursuing the use of guarantees to promote private sector involvement in water and sanitation. Examples include Argentina, where the Bank is looking to develop a guarantee framework to support the privatization of water supply at the provincial level, and Chile, where a Bank guarantee is being developed to back a wastewater Build-Operate and Transfer project.

Box 14.1 Brazil and water strategy

The Government of Brazil (GOB) and the Bank are working together on a strategy to address the scarcity, cyclical unreliability, and poor quality of water supplies used for human consumption, irrigation of food crops, and industrial production. Over the last four years, the foundation of the joint strategy has been to formulate market-based, rational, legal, and institutional frameworks for the sustainable management of water resources at both the federal and state levels. Targeted regions include the drought-stricken Northeast (at the basin level) and both the South and Northwest (at the microbasin level). Progress is evident in the adoption of sound water laws by the federal government and by the States of São Paulo, Ceara, Bahia, and Rio Grande do Norte. Other key indicators of progress include (1) recognition that the use of water has an economic value, (2) identification of environmental requirements for sustainable riparian ecology, paramount for use of the resource, (3) realization that the costs of providing water must be recovered in a sustainable manner, and (4) planning for water development on a watershed basis with active participation of the users and the public.

As a follow up, the GOB and the Bank are implementing the next step in the strategy to maximize the

provision of potable, reliable, and healthy water supplies to the rural population; to increase the supply of quality water to the urban poor; and to provide collection and treatment of sanitary wastes in metropolitan areas. Specific efforts involve (1) the development of integrated watershed management planning for the basin of the Rio São Francisco, (2) resolution of quality management problems of the Paraíba do Sul River, (3) development of a program for private/public cooperation in irrigation to enhance job opportunities for the rural poor, and (4) an effort to eliminate the susceptibility of the poor to annual and cyclical drought and the impact of water-borne disease vectors.

In 1996, IFC invested in the first privatization of wastewater and sewer services in Brazil. Aguas de Limeira (AdL), a 50-50 consortium between a major Brazilian construction company, CBPO, and Lyonnaise des Eaux of France. AdL will provide approximately \$124 million of new investment during the 25-year concession. AdL's investment will reduce the waste load into the region's principal urban stream by more than 90 percent over the next five years. It will also increase access to safe drinking water and will link more homes to the municipal sewer system.

Increasing Beneficiary Participation in Irrigation

In irrigation the Bank has progressively applied the 1993 Water Resource Policy, including development of a comprehensive analytical framework for management, economic incentives for improved efficiency, decentralization of service provision, increased user participation, and adoption of new irrigation technologies for water conservation. Creating water users' associations and turning over management of irrigation systems to them, as in India, Mexico, and Turkey, has become increasingly common.

Lessons Learned

The Bank's pursuit of newer approaches to water management has generated a number of lessons.

- A major difficulty has been coordinating the cross-sectoral inputs both within and outside the Bank, in part because of traditional sectoral boundaries. Within the Bank, a thematic team on water is helping break down sectoral barriers. At national levels, Inter-Ministerial Steering Committees (IMSC) help coordinate water resources management efforts.
- Water resources agencies are ill equipped to manage water resources comprehensively. However, regional and national water resources management strategy development has provided

opportunities to integrate local staff in the strategy preparation process and build local capacity.

Challenges Ahead

Current trends show that several regions, most notably the Middle East and North Africa, and an increasingly large number of countries in all parts of the world are approaching a "water crisis." Already, an estimated 1 billion people have no access to safe drinking water and 1.7 billion are without access to adequate sanitation. In the future, availability of water rather than land will be the main constraint to agricultural production in many areas. In many countries, water problems stem not from a shortage of water per se, but from the inefficient use of water (often exacerbated by subsidies), degradation of available water from pollution, degradation of watersheds from poor land use, and unsustainable use of groundwater resources. In the face of these challenges, skilled water management will be crucial to the overall effort to achieve sustainable development.

The Bank and other organizations have supported pilot activities to demonstrate and test innovative solutions to freshwater, coastal, and marine resources management. The challenge for the future will be to move from piloting to applying these approaches more broadly.

Managing Toxic Chemicals and Hazardous Wastes

Although use of chemicals and the production of potentially dangerous waste products are an inherent part of modern industry, with proper management and control they need not pose a threat to humankind and the environment. Nonetheless, the failure to exercise proper care is common worldwide, and the need for improved regimes in management of both toxic chemicals and hazardous waste is evident. Chapters 19 and 20 of *Agenda 21* establish a number of program areas aimed at improving toxic and hazardous waste disposal and preventing their illegal transport, particularly, although not exclusively, from industrialized to developing countries.

Progress since Rio

A major impact of the new thinking associated with sustainable development has been a shift toward reducing, substituting, or eliminating the use of toxic chemicals in manufacturing, thus removing them totally from the environment. In this vein, the Bank is supporting Cleaner Production and similar approaches. The goal is to reduce the volumes of hazardous wastes generated from industrial and other activities and to try to ensure that acceptable management and disposal options are put in place for those wastes that are generated. Working with UNEP and UNIDO, the Bank has supported this process by including cleaner production activities in more projects and by promoting environmental management systems such as ISO14000 and Pollution Release and Transfer Registers (PRTs), which focus on the wastage and release of toxins. At the same time,

the Bank is strengthening the capabilities of regulatory authorities in many countries to control the improper handling or transfer of such substances.

The single largest contribution by the Bank to toxic chemicals reduction has been its efforts to remove lead from gasoline, which studies have shown to be a highly effective way to avoid a serious public health problem, especially for children. The Bank has called for the global phaseout of lead from gasoline and is working with governments, industries, NGOs, and other organizations to raise awareness, build political commitment and consensus, design appropriate policies, and facilitate the implementation of lead phase-out programs.

Regional programs to phase out lead from gasoline have been supported by Bank technical assistance and policy advice in Asia, Central and Eastern Europe, and Latin America and the Caribbean. As a result, several countries have phased out lead recently, and others have made firm political commitments to do so by designing national phase-out plans. In Thailand, a successful effort to end the use of lead in gasoline was helped by a Bank lending program to support refinery upgrades (see box 15.1).

The Bank has also been supporting projects to address broad issues of hazardous waste in Algeria, Egypt, India, Mexico, Russia, and other countries. Project components typically include compiling basic information on location and type of hazardous wastes, strengthening regulatory and enforcement capacity, educating industry and the public on the problems and how to address them, and helping provide treatment and

Box 15.1 Supporting the implementation of lead phase-out: the example of Thailand

In response to evidence showing the serious health impacts of lead and other vehicular emissions in the late 1980s, the Government of Thailand became strongly committed to address the problem.

The Bank provided support to improve air quality as part of its lending for the road sector (*Third and Fourth Highway Projects* in 1990 and 1992, respectively) by assisting the Government of Thailand to strengthen regulatory institutions; build up ambient air monitoring network; set ambient standards, vehicle emission and fuel standards; and introduce vehicle emission testing. The Bank was involved in an extensive dialogue with the Thai Government about formulating and implementing cost-effective policies for air quality improvement, and providing analytical support and financing for the government's Action Plan to reduce air pollution. In addition, the Bank worked closely with the key agencies involved in developing the government's clean fuel standards.

The Thai Government adopted a rapid phase-out strategy: in 1990, the maximum lead content in gasoline was set at 0.4 grams per liter; in May 1991, unleaded gasoline was introduced; in September 1992, the maximum lead content in all gasoline was lowered to 0.15

grams per liter; and by the end of 1995, the use of lead in gasoline was banned altogether.

Government regulations to eliminate lead and to reduce the aromatic and benzene content and vapor pressure of gasoline were part of a comprehensive program that required changes in the three refineries of the country. After a successful restructuring of the Bangchak Petroleum Refinery (*Bangchak Oil Refinery Restructuring Project*, World Bank, 1985) that enhanced production efficiency and facilitated the partial privatization of the refinery, the Bank has provided financing for the *Clean Fuels and Environmental Improvement Project* (World Bank, 1995) to meet the government's fuel quality requirements. The deregulation of oil prices and removal of restrictions for private sector investments in the refinery sector in 1992 facilitated the rapid adjustment of refineries to changing conditions.

The fuel reformulation program of the Thai Government has been very effective and resulted in significant reductions in lead emissions. About a year after its introduction, unleaded gasoline increased its market share to about 18 percent, and within four years, vehicular lead emissions were eliminated.

disposal facilities. The Bank Group, especially the International Finance Corporation, has been working to involve the private sector in hazardous waste management, a natural extension of private sector involvement in solid waste management.

Lessons Learned

Solutions to serious environmental problems can, in some cases, be relatively inexpensive in comparison with the large economic and social benefits of such measures. For the industries immediately affected, however, the financial costs can sometimes be quite significant. Given the different incentives involved, several conditions are necessary to mobilize action for change: strong political commitment, support of regulations and policies, consensus of affected stakeholders, and support of consumers and the public.

Promoting good behavior in toxic and hazardous waste management is only one aspect of a broader set of Bank efforts to improve productivity, safeguard workers, and protect the environment. However, apart from the IFC's direct involvement with enterprises in its portfolio, the Bank's power in this area is limited. Efforts are being made to strengthen partnerships with more environmentally conscious private sector firms to leverage their influence over their partners and suppliers.

Challenges Ahead

Educating the public about the dangers of toxic substances and hazardous wastes is essential for changing consumption patterns. Industries can contribute by developing and promoting alternatives which avoid the use of toxic substances. However, government policies have to provide the basic incentive framework in which industries are motivated to produce and consumers are encouraged to buy environmentally friendly products. In case of unleaded gasoline, for example, refineries should be able to recover the costs of their investments, and consumers should be able to buy unleaded gasoline more cheaply than the more damaging leaded fuel. Designing such policy frameworks is one of the most challenging tasks for the Bank and its clients.

There is clear potential for closer partnerships with the private sector to address control of toxins and hazardous wastes. These partnerships must be widened to include local government, workers, and the concerned public. Steps are being made in this direction through innovative pilot projects, especially in Latin America, which can lead to a better understanding of processes to produce practical results on the ground.

Promoting Environmentally Sound Management of Solid Wastes and Sewage

Solid wastes and sewage represent major pollution problems in both the industrialized and developing worlds. Both forms of pollution seriously threaten water supplies, endangering human health and in many cases destroying aquatic life. Even when not life-threatening, these forms of pollution seriously diminish the quality of life. Because waste production and sewage are concentrated in urban areas, controlling and managing their impact on the environment will pose one of the major challenges for the twenty-first century as cities grow and expand. Chapter 21 of *Agenda 21* calls for waste minimization, increased reuse and recycling, and environmentally sound waste disposal and treatment.

Progress since Rio

As of July 1996, the World Bank's lending for active pollution management projects stood at \$6.9 billion, constituting approximately 60 percent of the Bank's total lending for "environmental projects." Since Rio, the Bank has redirected its efforts at combating waste management problems, shifting away from projects dealing with end-of-the-pipe technological fixes toward front-end, more comprehensive, and integrated efforts at pollution management.

Preparing and implementing the new generation of Bank projects are based on the following principles:

- Adopting a strategic, integrated planning approach for waste management services combin-

ing spatial, technical, institutional, and financial perspectives.

- Promoting a policy and regulatory framework for economically sound waste reduction, recovery, recycling and reuse, and environmentally sound waste disposal.
- Mobilizing public and private resources for service delivery seeking greater efficiency and cost effectiveness.

Examples of the application of the above principles and priorities in Bank-supported projects include the watershed protection plan for São Paulo in Brazil (see box 16.1), urban environment management plans in Colombia, a national municipal waste management strategy in Turkey, jointly supported by METAP and the GEF, and metropolitan solid waste management projects in Madras, India and Colombo, Sri Lanka. The Bank has entered into a collaborative effort with the Swiss Development Cooperation (SDC) to distill the lessons learned from these and other urban solid waste projects and to prepare, field test, and disseminate a guide for strategic solid waste management for large cities.

The Bank has also financed a number of projects in Africa, Asia, and Latin America designed to provide basic services for the poor, such as the Strategic Sanitation Plan in Ghana, which covers five major cities. This UNDP/World Bank Water and Sanitation project aims at improvements in drainage, sanitation, and waste management. The upgrading components will benefit some 600,000 lower-income people. The project

Box 16.1 Catchment protection in the São Paulo Metropolitan Region

The formulation of a watershed protection plan for the São Paulo Metropolitan Area (SPMA) in Brazil is a good example of an issue-specific urban environmental management strategy. It started with a rapid assessment to gauge explicit needs and inventory problems. Consensus among the stakeholders was achieved through consultations, culminating in an issue-specific strategy. The plan set the stage for coordinated short- and medium-term sectoral action plans and investments. Once priorities were set and consensus was achieved, a series of sectoral action plans and investments were designed to form an integrated program.

One of the main medium-term institutional reforms will be the creation of a water basin management agency. The action plan calls for studies and organizing the public and governmental consultation processes needed to develop and establish the basin agency. An indirect benefit of the project will be to develop a modern scheme of river basin management, which, in the medium term, would be expanded on a larger scale to the other major basins in the region that serve the SPMA.

The program will directly benefit over 500,000 urban dwellers in the watershed, 48 percent of whom are poor, as well as protect the water supply of 3 million domestic consumers in São Paulo City itself.

also aims to establish better institutional and financial mechanisms and more effective policy frameworks so that improvements are sustained over time.

As part of its commitment to waste management and disposal programs, the Bank has emphasized partnerships with both donor and recipient organizations. The long-standing collaborative UNDP/World Bank Water and Sanitation Program is a testament to the commitment between donor agencies to tackle the growing waste management problem. Other partnerships with UNCHS, UNDP, EIB, GEF, Commission of the European Communities, and various governmental and nongovernmental agencies have been established.

Lessons Learned

By far, the most important lesson learned since Rio is the need for strategic and integrated approaches to waste management. In addition, concurrent with the massive investments in physical infrastructure that these projects require, there must be investments in "softer" forms of assistance, such as, effective training programs. Finally, to implement a strategic and integrated approach to waste management, donor institutions must emphasize the importance of establishing priorities and ensuring commitment from all stakeholders.

Challenges Ahead

Four main challenges to managing wastes effectively lie ahead:

- *Ensuring that projects can be replicated and are sustainable.* To meet the challenges posed by increasing urbanization in the developing world, the Bank must be vigilant in evaluating best practices to ensure that projects can be replicated. It must also support continued monitoring of projects past completion to ensure that they are sustainable.
- *Building alliances through stakeholder consultation, participation, and transparency.* The Bank needs to be proactive in soliciting active participation from stakeholders and ensuring that projects are designed and implemented transparently.
- *Differentiating solutions based on demand and affordability.* Waste management systems are far too often built and operated without factoring affordability and demand criteria into their design. Project evaluation must avoid these potential problems to ensure sustainability.
- *Creating the capacity to handle devolved responsibilities.* As decisionmaking devolves to more localized levels, it is important to ensure the existence of adequate management and implementation capacity. This desirable trend emphasizes the need for the Bank to focus more on "softer" modes of assistance to train and prepare decisionmakers to handle new responsibilities.

Taking Global Action for Women to Attain Sustainable and Equitable Development

Gender relations and issues affecting women such as education, access to health care, and attitudes toward self-determination have significant consequences for sustainable development. Women play a crucial role in determining overall levels of wealth in both industrialized and developing countries. In many countries, women work as farmers and thus are critical in the effort to increase agricultural productivity and reduce environmental damage. Furthermore, family planning issues, which have primary importance to women, ultimately determine population dynamics, and these are key forces affecting sustainable development. Chapter 24 of *Agenda 21* calls for fuller participation by women at all levels of society and in all forms of decisionmaking, particularly in areas affecting environment and development.

Progress since Rio

In the years since Rio, the Bank has attached increasing importance to women and gender issues in achieving sustainable development. Progress has been made in the following areas:

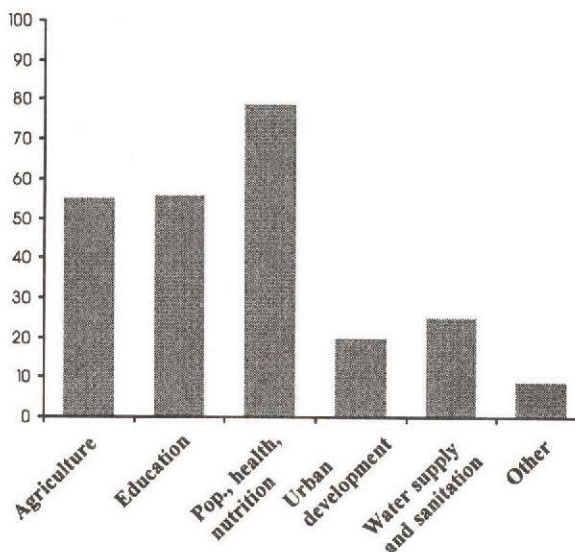
Bank Lending

Increasingly, the Bank has integrated gender concerns in its lending portfolio. From fiscal 1992 to fiscal 1996, 30 percent of Bank-assisted projects had specific gender-related actions (see figure 17.1). In some projects, women have been brought in through consultative and participatory measures. In others, women were specifically required

to be represented. Many of the gender-related activities respond to specific challenges in each sector. Milestones include:

- Bank-supported projects are providing credit to women in their own names, granting small loans (microcredit) without collateral, and offering assistance on technology and marketing.
- Women's access to agricultural services is being improved by setting up group rather than individual contacts between farmers and extension agents.
- To reduce the barriers to girls' education, Bank-assisted projects decrease the direct

Figure 17.1 Percentage of Bank projects with gender-related actions, fiscal 1992-96



costs to parents through special incentives such as fee waivers, scholarships, and free textbooks. Bank-assisted projects also support infrastructure needs that increase girls' attendance (such as latrines and water points).

- d. Community-based health services are cost-effective in improving women's health.
- e. Women are being trained in nontraditional occupations to improve their employability.
- f. Employment and training programs are making better information available to women about job markets.

Research and Analysis

The Bank's research and analytical work has significantly advanced understanding about the forces at work in the persistent inequality between women and men. Furthermore, evidence of the gains from investing in women has grown considerably. Education increases women's options in the labor market and boosts their earnings. Education is also associated with lower birth rates, which reduce the risks of maternal and child mortality. Moreover, lower birth rates appear to confer benefits on those children who are born, passing down better health and education to future generations. Providing women with access to financial services leads to greater savings mobilization, and increasing the income they control results in improved child health. Violence against women creates significant physical and mental health damage and reduces their contributions. Discrimination against women in property rights hinders their economic activities. In contrast, women's access to land is associated with higher agricultural productivity and, in some cases, with greater investments by women in land conservation.

Partnership Initiatives

The Bank has entered into numerous partnership initiatives. The Consultative Group on International Agricultural Research (CGIAR) began a gender program in 1991. In 1993 the Bank co-sponsored the Consultation on Promoting Women in Ecosystem Management. After the 1995 United Nations Fourth World Conference on Women in Beijing, it created an External Gender Consultative Group (EGCG) to assist in the formulation and implementation of its gender policies. The Bank's Economic Development Institute works

with developing country partners to implement training programs to help low-income women. The West Africa Social and Gender Analysis training program (SAGA) provides training for agricultural extension workers to improve outreach to women and other marginalized groups to agricultural extension services. Most of the Bank's resident missions are staffed with one or more gender specialists.

Lessons learned

Over the past five years, important gender-related lessons have emerged:

- *An enabling framework is fundamental.* To effectively address gender inequalities, it is necessary to go beyond the project level and examine systemic causes of gender differentials. Modifying national legal and regulatory frameworks is essential, because they form the functional framework of the economy and civil society. Four bodies of law are particularly important: land and property rights, employment, family, and financial.
- *Gender issues are interconnected and cross-sectoral.* To achieve specific gains in one sector may require action in another. For example, improving rural households' access to water supply may be key to increasing girls' enrollment in school. Improving infrastructure such as roads may also be important. Women in Morocco identified the inaccessibility of schools as one reason their daughters were not attending.
- *Data are important.* The Bank's analytical work on gender and education and health has provided the substantive basis which made possible major changes in sectoral lending trends. Work on property rights and the labor market has provided evidence of the need for changes in legal and regulatory frameworks and has indicated ways these changes can be made.

Challenges Ahead

Efforts to increase women's participation in social and economic decisionmaking raise complex issues. And, as the evidence indicates, these efforts take time. Many challenges lie ahead:

- Stronger government commitment is needed and must be reflected in policymaking and budget expenditures.

- Gender-related actions need to be cost effective. There may be times when general policy interventions are not enough, and programs that specifically target women may be required. As with all development programs, these targeting efforts should be cost effective, to make the most efficient use of scarce development resources.
- Significant gains have been made concerning gender issues in the health and education sectors. More needs to be learned about gender in sectors such as large-scale infrastructure and energy. More needs to be learned about how to mainstream gender issues beyond the project level. As a part of this process, the Bank has begun to focus on how to integrate gender analysis into the Country Assistance Strategy (CAS), which the Bank prepares with a client government to define its overall development goals and investment strategies.
- In all of these areas, the Bank will work closely with its country-level and international partners.

Investing in Children and Youth

Investing in the well-being and education of children and youth is central to efforts to achieve sustainable development. Countries that have failed to focus attention on educating all children have not prospered. In recognition of the pivotal importance of investing in young people, chapter 25 of *Agenda 21* calls for improved education and greater protection of children, especially girls.

Progress since Rio

Recognizing the importance of investing in individuals as distinct from nations in recent years, the Bank has sharply increased lending for education, health, nutrition, population, and other components of human development. This lending represents more than \$3.5 billion yearly, or 18 percent of total World Bank lending in fiscal 1996. Of this amount, approximately one-third has directly benefited children under 15 years.

In 1992, the Bank launched a Children's Initiative, a central focus of which has been Early Child Development (ECD). Based on a series of seminars with experts in ECD, the Bank produced *Early Child Development: Investing in the Future* (1996), which has served as a blueprint for Bank activities. Highlighting best practice, this publication is being used by the Bank to develop more effective ECD interventions in its projects. In collaboration with the Inter-American Development Bank, a web site is now available explaining (1) the theory and economics of ECD; (2) infor-

mation on all aspects of designing an ECD program, such as types of interventions, financing, and best practice examples; (3) the ECD cost-effectiveness assessment tool; and (4) a list of ECD consultants.

Many of the Bank's regional units are now addressing region-specific issues on children. In collaboration with other agencies such as the Aga Khan Foundation, the Bernard van Leer Foundation, and UNICEF, the Bank's Africa Region (AFR) supports an African-managed Regional Network for Early Childhood Development. The Asia Region has produced country profiles on children which include data on Bank lending, information about economic and social policies as they affect children, the status of children's health and education, and suggestions for future work.

The Latin American and Caribbean Region (LAC) has launched a series of studies and initiatives on children. Household surveys are being used to evaluate the status of poor children, and the region has also started work on street children and child violence. Two studies have been published: *A Participatory Study of Urban Poverty and Violence in Jamaica* (1996), and *Targeting At-Risk Youth: Rationales, Approaches to Services Delivery and Monitoring and Evaluation Issues*. A research proposal and several papers are under preparation to assess the issue of child labor.

The Europe and Central Asia (ECA) Region is also focused on children's issues. In collaboration with UNICEF, ECA developed the Social

Challenges of Transition (SCT) database, which includes indicators on the well-being of children by country. ECA also has undertaken a study on *Enterprise Divestiture of Kindergartens and Childcare Arrangements in Central Asia* and is studying nutritional status and household welfare among pre-school children in Uzbekistan.

The Bank's research on children's issues is changing the nature of Bank-supported projects as well. In the past, World Bank project work on children was limited to primary and secondary education, nutrition, immunization, and maternal child health projects. Now, however, the Bank has begun to support a more holistic approach, and ECD projects such as those in Latin America and Africa are intervening earlier in a child's life. The Bank is working to monitor growth, improve nutrition, educate parents, and teach financial management skills to mothers. Projects in Guinea and the Dominican Republic promote school-based health care. Attention is also being given to specific youth problems such as violence, and pilot programs are underway in Colombia and Jamaica.

To improve AIDS/HIV prevention, ECD, and girls' education, the Bank is joining in partnerships with the international community including other UN agencies, the OECD, regional development banks, and four major international children's NGOs (Save the Children, World Vision, Christian Children's Fund, and Plan International). Through a special grant to the Consultative Group on Early Child Care and Development, the Bank is a member of a global ECD network consisting of NGOs, bilaterals, multilaterals, and academics. To expand its knowledge base on best practice and interventions for sustainable youth development, the Bank is also developing a partnership with the International Youth Foundation.

Another strong Bank focus is improving girls' education (see also section 17). Despite progress on many fronts in recent years, tens of millions of children are not provided with basic nutrition and education. In developing countries, more than 110 million 6 to 11 year-olds and 273 million 12 to 17 year-olds are not in school. The situation is even worse for girls and minority groups: 77 of the 110 million 6 to 11 year-olds and 148 of the 273 million 12 to 17 year-olds, out-of-school children are girls. The Bank is placing increased

attention on Country Assistance Strategies and on related country-level discussions on the status of girls' education. Profiles on countries likely to lag on gender parity have been prepared so that their progress can be carefully monitored. The Africa Region is developing a Strategy for the Development of Basic Education in African Countries with Very Low Primary School Enrollment. Project components are being designed to alleviate the barriers to girls' education, increase girls' attendance in primary and secondary school, and decrease their drop-out rates. Examples of such projects are Mali's Education Sector Investment Project (fiscal 1997) and Mozambique's Social Investment Program (fiscal 1999).

Lessons Learned

Emphasizing children and youth in the sustainable development process is a relatively new focus for the Bank. Therefore, lessons of experience to date are fairly preliminary.

- Monitoring and evaluation are crucial since many of the projects involving children are new. Systems need to be set up or improved to better monitor inputs, output, and outcomes. This needs to be done carefully, keeping in mind that most outcomes and impacts will not occur until after the project is finished. In this regard, Bank projects must include support for longitudinal analysis and studies of follow-up groups.
- The Bank is striving to help its client countries reach universal primary enrollment by 2010 and to ensure that those children who reach primary school have had the proper cognitive development, health care, and nutrition to perform at their best in primary school. The Children's Initiative has shown that focusing on primary and secondary education projects is not adequate. Intervention needs to start before primary school to enhance school readiness. Children whose earliest years are blighted by hunger or disease or whose minds are not stimulated by appropriate interaction with adults and their environment pay for these early deficits throughout their lives. Such children are far more likely to do poorly in school, drop out early, and be functionally illiterate.
- In promoting early childhood intervention in both health and education, partnerships are necessary. Governments must build partnerships with parents and communities, NGOs, the pri-

vate sector, religious ministries, the media, and professional organizations. International support is also necessary.

Challenges Ahead

Many challenges lie ahead as developing countries strive to reach a 100 percent primary completion rate and a 60 percent entry rate into secondary education by equal numbers of boys and girls by 2010.

- *Disseminating lessons.* Much is already known about improving the situation of children and youth, but there is a need to increase dissemination of this information so that the knowledge is incorporated into future projects and programs.
- *Reaching children in rural areas.* Work being done on education and technology should bring about innovative projects. Partnerships have proven to be a successful approach. Increasingly, the Bank will need to reach out to other international organizations, NGOs, bilaterals, multilaterals, and governments that are working on the same or similar issues to avoid repetition, combine resources, and share lessons.
- *Partnering for solutions.* Globally, children face increasingly complex problems. Together with its partners, the Bank needs to find solutions and address the often-interrelated issues of violence against and by children, street children, children in post-conflict situations, and child labor.

Recognizing and Strengthening the Role of Indigenous Peoples

A major outcome of the Rio Summit was a growing recognition of the important role which the world's 300 million indigenous or tribal people play in the stewardship and sustainable management of large sections of the earth. Although indigenous peoples comprise less than four percent of the world's population, they represent ninety-five percent of the world's cultural diversity and over fifty percent of the population living in areas of high biodiversity, such as tropical rainforests. Despite these realities, recognition of the significant role of indigenous peoples has been very limited. Only very belatedly has modern science recognized the ecological and cultural sophistication of these peoples and argued for the need to conserve their knowledge of natural habitats, fragile ecosystems, and medicinal plants. In recognition of their importance, chapter 26 of *Agenda 21* calls for a number of measures to empower indigenous people, while promoting effective resource management and sustainable development.

Progress since Rio

World Bank policy concerning indigenous peoples since Rio has continued to be guided by an operational directive issued in 1991 (OD 4.20). Under this policy, indigenous peoples are defined as groups who maintain social and cultural identities distinct from those of the national societies in which they live, have close attachments to their ancestral lands, and are susceptible to being disadvantaged in the development process. The policy focuses particular attention on the rights

of indigenous peoples, if they so choose, to participate in and benefit from development projects. The directive outlines specific procedures for incorporating the concerns of indigenous peoples into Bank-financed investment projects through the design of Indigenous Peoples Development Plans.

In crafting this policy, Bank legal and anthropological specialists consulted extensively with indigenous organizations and worked closely with other international agencies and development banks, such as the Asian and Inter-American Development Banks. Operational Directive 4.20 has also been used as the basis for recognizing the role of indigenous peoples in other Bank policies, such as those dealing with environmental assessments, forests, and natural habitats.

The greatest progress in implementing the Bank's policy on indigenous peoples has occurred in Latin America and the Caribbean, where there are over 40 million indigenous people, many of whom have rights recognized in national constitutions and special legislation. In other regions, progress has been more difficult due to differing regional and national contexts and complexities in identifying the groups covered. Among the projects in which indigenous peoples components have been included are:

- The Rondonia and Mato Grosso Natural Resource Management Projects in Brazil, the Paraguay Natural Resource Management Project, and the Colombia Natural Resource Management Project, which contain indigenous components in project design and implementation. As

part of the Pilot Program to Protect the Brazilian Rain Forest, the Bank is administering a \$20.8 million Indigenous Lands Project. Financing for the project comes from the Rain Forest Trust and the German bank, KfW. Several new natural resource management projects being prepared in Guatemala, Honduras, and Nicaragua are expected to have strong indigenous land titling and natural resource management components.

- In cooperation with the Hemispheric Indigenous Peoples Fund (*Fondo Indigena*) in La Paz, Bolivia, and the Swedish International Development Authority (SIDA), the Bank has been financing a very successful series of training workshops for Latin American indigenous organizations. The training program is supported by country-level grants from the Bank's Institutional Development Fund (IDF) and is meant to strengthen the capacity of indigenous organizations to design and manage their own development programs. To date, 19 training programs are planned, underway, or have been completed in 15 Latin American countries at a total grant allocation of over \$2.6 million.
- In India, several Bank-financed projects in the health, education, forestry, biodiversity conservation, and water resources sectors include specially designed action programs for scheduled tribes and castes. Similarly, in Indonesia, recent Bank-financed projects in road construction, forestry, and protected area management and rural health are being designed to take into account the needs of remote-dwelling, indigenous populations.
- The Matruh Natural Resource Management Project in Egypt, whose beneficiaries are recently settled Bedouin tribes, draws heavily upon the land-use knowledge of the Bedouin people (including women). It promises to provide important lessons for natural resource management and rural development planning in other arid regions of the Middle East and North Africa.
- In East Africa, GEF-financed biodiversity conservation projects in Kenya and Uganda contain special programs for remote pastoral and hunter-gatherer groups. In Southern Africa, the Bank has collaborated with the regional office of the International Union for the Conservation of Nature and Natural Resources (IUCN ROSA) in designing a set of NGO workshops on the role of indigenous knowledge systems and institutions in natural resource management.

- In the Russian Federation, a Petroleum Joint Venture Development Project under preparation contains an environmental assessment which takes into account the needs of indigenous and other local populations affected by new oil and natural gas developments in Western Siberia. Indigenous peoples' concerns have been included in a recent *Russian Forestry Policy Review* and in the preparation of the GEF-funded Russia Biodiversity Conservation Project.
- In 1993, to support the United Nations International Year of the World's Indigenous Peoples, the Bank sponsored a *Conference on Traditional Knowledge and Sustainable Development* (see proceedings of the same name (World Bank 1995)).

Lessons Learned

Five of the many lessons that have resulted from the Bank's experience in projects that affect indigenous peoples are particularly important:

- To identify indigenous peoples' issues early in project preparation, using systematic social and environmental assessment techniques.
- To base development projects among indigenous peoples on culturally appropriate consultation and participation. These techniques should take into account indigenous peoples' languages, traditional values, forms of social organization, decisionmaking styles, and religious and spiritual beliefs.
- To cooperate with and strengthen indigenous organizations, especially through training programs and other capacity strengthening exercises.
- To increase Bank staff and borrower country awareness of the special rights and needs of indigenous peoples, especially as reflected in recent international documents such as the International Labour Organisation (ILO) Convention 169, the draft UN Declaration on Indigenous Peoples, and the International Convention on Biological Diversity.
- The need to respect the preferences of indigenous peoples and communities, especially their wishes as expressed at numerous international conferences, to design, implement, and control their own development and environment programs.

The Bank is attempting to respond to these lessons learned by improving its staff and bor-

rower capacity to deal with indigenous peoples issues. In particular, the Bank is introducing new social assessment techniques for identifying indigenous peoples, eliciting their preferences in relation to service delivery (health, education) and other development interventions, and incorporating their knowledge in the environmental management process. It is also taking greater cognizance of legal issues involved in the protection of indigenous lands and resources, and preparing regionally based training courses to increase the awareness of its own staff and that of its counterpart borrower country agencies of indigenous peoples' needs, knowledge, and issues.

Challenges Ahead

The first challenge is to address the increasing interest of some borrower countries, especially in the Latin American and Caribbean region, in preparing development projects with the full participation and often in equal partnership with indigenous peoples and their organizations. Two projects of this type are under preparation or about to be negotiated—a stand-alone Indigenous Peoples Development Project in Ecuador and a Community Forestry Project in Mexico. These sorts of projects in which co-partnership arrangements need to be worked out among indigenous organizations, government agencies, and the Bank

demand enormous cross-cultural sensitivity and patience but promise to be of great importance in the Bank's future work.

The second challenge emerges from economic globalization and the opening of formerly closed economies to large-scale hydrocarbon and mining developments. These pose special challenges to the protection of the lands, natural resources, and cultures of indigenous peoples. Lessons learned about indigenous peoples' land claims negotiations, monetary compensation, labor relations, and environmental protection, and sacred sites in industrial countries such as Australia, Canada, New Zealand, Scandinavia, and the United States could help private corporations, multilateral finance institutions, and host country governments design socially and environmentally acceptable projects. Establishing an adequate and agreed policy framework for the private sector based on recognized international human rights standards and environmental principles will be fundamental to the effectiveness and success of such initiatives. The Bank intends to reach out to the private sector on these issues through greater collaboration on social and environmental matters among all members of the Bank Group, including the IFC and Multilateral Investment Guarantee Agency (MIGA).

Strengthening the Role of Nongovernmental Organizations

Nongovernmental organizations (NGOs) bring wide-ranging experience and valuable lessons to sustainable development efforts. In recognition of the importance of NGOs, chapter 27 of *Agenda 21* discusses way to establish partnerships and closer dialogue among NGOs, governments, and international agencies involved in development.

Progress since Rio

In the five years since Rio, important advances have been made in forging partnerships between the World Bank and nongovernmental organizations. These partnerships have broadened capabilities and vastly extended the reach and potential impact of both Bank- and GEF-financed projects. In addition, the partnerships have brought greater accountability to the Bank and increased the Bank's credibility among the many actors within civil society.

Since 1992, NGO participation in Bank- and GEF-financed activities has dramatically increased. By 1996, NGOs were involved in almost 50 percent of Bank projects. Local, as opposed to international, NGOs became more prominently involved. NGO participation ranges from providing project ideas to implementing specific project components to providing technical advice and assistance to being the primary interlocutor with local populations. In the Philippines Conservation of Priority Protected Areas Project, the Bank as GEF-implementing agency has entered into a formal agreement with NIPA, Inc., a legally

incorporated, nonprofit consortium of NGOs, as the principal implementing agency for the project. NIPA is receiving \$17 million of the total \$20 million grant to finance overall project coordination and supervision. This marks the first time in the Bank's history that funds have been given directly to an NGO for implementation.

As NGO relationships with the Bank have grown, additional staff have been appointed in Bank headquarters and NGO liaison officers have been appointed in most of the Bank's resident missions, vastly expanding the capacity to reach out to a network of local, national, and international organizations that are potential partners in project or policy work.

By building strategic partnerships with environmental NGOs, the Bank is better able to carry out its work program on the environment. The most prominent example of a strategic partnership is the Letter of Understanding the Bank has with the World Conservation Union (IUCN)—the largest confederation of conservation organizations in the world. The Bank is relying on IUCN for broader participation and state-of-the art expertise in environmentally sustainable development. To that end, IUCN and the Bank have collaborated on an *Ecosystems and Natural Habitats Handbook*, which will synthesize on-the-ground experience through case studies, and a guide on the global system of marine protected areas, *A Global Representative System of Marine Protected Areas*. IUCN has also participated in developing a regional dialogue on a variety of en-

vironmental issues in Southern Africa and contributed advice and guidance on the development of a Critical Ecosystems Partnership Fund.

Recognizing that consultation with affected groups and NGOs is key to identifying environmental impacts and designing mitigation measures, the Bank's operational directive on environmental assessment (OD 4.01) requires that the borrower consult with affected groups and NGOs on at least two specific stages in the EA process. A recent evaluation illustrates a significant increase in NGO consultations. The operational policy on disclosure of documents (OP 17.50) increases transparency by ensuring that affected groups and NGOs have greater access to project information.

Through the Global Environment Facility, grant resources have been channeled through the Bank to help developing countries achieve global environmental objectives in biodiversity conservation, climate change mitigation, international waters protection, and ozone layer protection. The nature of GEF projects has required high-quality implementation partners, which in many cases have been NGOs. One-quarter of the stakeholders identified in the biodiversity project portfolio are NGOs. A new medium-sized projects window in the GEF will facilitate NGO access to GEF resources.

Lessons Learned

The dramatic increase in NGO involvement in Bank-financed activities over the last five years has provided the Bank with a far sounder base upon which to build a deeper and more effective collaboration. The NGO community, however, is growing in number and has diverse interests, the dynamics of which the Bank is learning. The Bank must be more discerning if it is to promote effec-

tive long-term partnerships for sustainable development. To this end, there is increasing emphasis on analyzing lessons learned and identifying good practices in promoting Bank-NGO partnerships.

Some countries have made exciting strides over the past five years in government-NGO partnerships, but many others have not progressed as much as had been hoped. There are two reasons for this which the Bank has begun to help to address: (1) The policy environment in some countries inhibits NGO development. In some cases, the Bank can help governments reform NGO laws and other policies which could pave the way for healthier government-NGO relations. (2) The Bank's new disclosure policy has given the public far greater access to information about the Bank's activities. This policy will help level the playing field for NGO participants who feel that in the past they have been deprived of information essential for their constructive contribution to policy dialogue or project development.

Challenges Ahead

The development of coherent regional strategies that take into account the principal lessons learned is a central challenge for the future. The Bank has moved from placating NGOs to engaging them and must develop the necessary management tools to do so cost effectively. Central to this exercise is the development of sustained links with NGOs in borrowing countries and with networks of NGOs. To this end, the Bank is investing in training programs, grants funding instruments, and other opportunities to help build the capacity of local NGOs.

Part of the challenge for the Bank lies in balancing the interests of borrowing governments and local NGO communities. The Bank can foster dialogue between governments and NGOs. In each country, political realities will dictate practice.

Emphasizing Local Authority Initiatives

Globally, emphasis is increasing on devolving service delivery to the local level to improve efficiency and respond more quickly to local demand. For sustainable development, proper integration of local authority in decisionmaking and service delivery is particularly important to build consensus and strengthen the knowledge base on how to promote well-being without exhausting crucial resources. However, this trend towards devolution appears to be proceeding in a fashion that is dictated more by political expediency and less by rational analysis of local needs and strengths. Chapter 28 of *Agenda 21* lays down the principles governing the role in which local authorities should be participating to achieve sustainable development.

Progress since Rio

To promote decentralization in developing countries, the World Bank has been making more loans that are reaching projects sponsored by local authorities, as these authorities seek to cope with new service delivery mandates. In addition, as the need for strategic investment planning grows, the Bank has stepped up efforts to work with countries to implement decentralization.

The Bank's assistance in advancing decentralization and strengthening local capabilities emphasizes the following elements:

- Building and bolstering the financial and institutional capacities of subnational entities to assimilate and undertake the massive investments now under their purview
- Improving the ability of subnational entities to collect revenues and effectively use the revenues to manage and maintain quality of service delivery
- Building responsive, professional financial intermediaries which focus on providing long-term financing for investments by local authorities
- Monitoring the success of project outcomes through financial control
- Reforming intergovernmental fiscal relationships to remove distorting incentives and inefficiencies. Developing more effective instruments to facilitate fiscal transfers.

The Bank often uses tools such as policy workshops in which government officials and leaders explore issues and experiences with counterparts from other countries and international experts. These workshops elicit participation and dialogue among relevant stakeholders in the process. In turn, it is hoped, greater consensus on reform measures can be reached, while these reforms are better tailored to local conditions.

To build local government capacity, the Bank has worked collaboratively with partner donor agencies including USAID and UNDP. The Bank also extends assistance dedicated to building institutional effectiveness in local governments and governmental institutions in Sub-Saharan Africa through its Municipal Development Programme (MDP). Through national and regional workshops, the MDP provides a forum for governmental and nongovernmental agencies to analyze,

Box 21.1 Decentralization reforms in Uganda

In 1992, after a detailed three-year study, the Government of Uganda instituted a sweeping decentralization program. Implementation of the decentralization program, which will occur in phases, is expected to last six years. These specific reallocations of roles and responsibilities between the central and local governments were formalized by the national government and have been inscribed in Uganda's Constitution.

The Bank is supporting the Ugandan process with a capacity building program aimed at strengthening

local and central governmental institutions and their policies as well as improving intergovernmental financing arrangements. In addition, the Bank is assisting local governments in preparing specific investment projects to be implemented under the new regime. The investment program is expected to fortify the decentralization process by clarifying and appropriately refining the division of obligations and powers between the central and local governments.

debate, and promote policy development for effective, responsive, and democratic local governance.

Lessons Learned

Because decentralization is a recent phenomenon in many client countries, it is difficult to ascertain its full consequences over time. Nonetheless, the Bank's initial experience in providing assistance to local authorities gives preliminary assessments that may provide perspective:

- On its own, decentralization of political powers is not adequate to improve public sector performance. To improve service delivery, decentralization should be accompanied by fundamental reforms in the administrative, sectoral, legal, and regulatory arenas.
- Local service delivery problems are not simply the result of a poor tax system, substandard accounting standards, or inadequate capital budgeting. Rather, the real problems usually reflect a lack of proper design and disregard of equity issues. Therefore, the traditional, narrow focus on municipal development related solely to taxation, internal administration, and related concerns in many cases has not yielded significant benefits. A comprehensive, integrated approach to service delivery at the appropriate spatial and political level is necessary for decentralized governance to attain its objective, which is improved service delivery to constituents.
- To improve service delivery, early involvement with clients and relevant stakeholders and the identification of responsibilities are key (box 21.1). With decentralization still in its infancy and with the need for many other reforms, the effort to address the needs of local authorities must move

forward in a methodical and clearly established process.

Challenges Ahead

The Bank faces multiple challenges as it seeks to assist local authorities in developing the capacity to meet the new obligations that decentralization has conferred on them. Among these are the following:

- Improving efficient organization through clear demarcation of central and local obligations and powers. For long-term sustainability, before obligations are allocated between local and central authorities, the political relationship between the center and the local agencies needs clear and rational definition. The Bank's efforts also need to focus more closely on synchronizing the reform process to ensure that local authorities are as responsive to their constituencies in practice as they are supposed to be in theory.
- Encouraging financial innovation by helping create conditions for the development of municipal credit markets. Ever-increasing financial pressures to sustain effective local service delivery require additional resources beyond intergovernmental fiscal transfers. Besides helping streamline and improve the collection of local government revenues, the Bank should concentrate more on creating an environment that is conducive to extrabudgetary resource mobilization, such as the ability to access credit markets.
- Improving the regulatory and legal environment. Local and central political accountability is commonly derived through enactment of laws and regulations. The Bank should focus on how best to design legal and regulatory regimes to improve political and civil service accountability within the context of decentralized governance.

Strengthening the Roles of Workers and Their Trade Unions

Sustainable development is not possible without a productive labor force that is free to bargain for safe working conditions, fair wages, and benefits. Moreover, smoothly functioning labor markets which balance flexibility with protection from external shocks and downturns are necessary as nations adjust to constantly changing levels of development and new technology. Recognizing the role that labor has played in addressing change and protecting workers, chapter 29 of *Agenda 21* calls for the active participation of labor, supported by increased training and capacity building, in promoting sustainable development.

Progress since Rio

The Bank attaches considerable importance to improvements in labor market performance and, since 1992, has expanded its role in supporting workers and trade unions. *World Development Report (WDR) 1995: Workers in an Integrating World* provides the analytical underpinning of the Bank's labor force strategy, which the Bank has sought to implement through its lending activities, economic and sectoral work, and research, and through strengthening its partnerships with major trade unions and related organizations.

To promote labor mobility, employment, and worker welfare, the Bank lends for a wide set of labor activities including labor code revision, employment creation in public works schemes, and retraining unemployed or potentially redundant workers. Other labor lending promotes labor market information and monitoring,

microenterprise development, employment services, improved conditions for female workers, and compensation for workers laid off in adjustment programs.

Lending for these relatively new activities increased considerably in the last four years. In fiscal 1996, 73 new projects were approved with one or more labor components, compared with 15 in 1992. By mid-1996, 229 ongoing projects included labor components, of which 28 projects were exclusively concerned with labor markets. In total, in the 1990s, the Bank committed about \$2.4 billion in lending for labor market activities.

The Bank further supports its clients through research and analysis of labor market policy. The work can be country specific (such as trade unions in Jamaica, minimum wages in Mexico, employment security regulation in India), in which case it is invariably undertaken jointly with government or forms part of a broader research program (such as the linkage between labor market institutions and economic performance, the relation between training and productivity, and assessments of labor market discrimination).

The Bank has increased its efforts to improve partnerships with other organizations that share its concerns with labor issues. Such partnerships bring clear benefits through sharing of knowledge and experience. The 1995 *WDR*, for example, was prepared in close consultation with the International Labour Organisation (ILO) and international trade union confederations such as the International Confederation of Free Trade Unions (ICFTU) and the World Confederation of Labor (WCL).

Bank partnerships with trade unions are now clearly established. With ICFTU and other international organizations, the Bank sponsored three conferences since Rio with union officials from Europe, West Africa and Southern Africa, the last of which was held in Harare in 1996. The aim of these meetings was to inform unions about work on labor and development issues, and seek their feedback. The Bank also assisted the WCL with a recent conference in Budapest. External training is another area that has recently started to involve trade unions. In 1996, union leaders from five countries participated in an EDI course on labor and development with employers and government officials.

The Bank enjoys close cooperation with the ILO in which both institutions benefit. In addition to regular informal discussions among officials, the two institutions are close to completing a joint study on obstacles to reform of vocational education and training systems. A study on the labor market impact of export-processing zones is also in progress. In addition, the two institutions recently held a joint workshop on labor code reform in West Africa.

Lessons Learned

The Bank's lending experience and analytical work on labor markets are summarized in the 1995 *WDR*, which stresses the potential benefits to workers of greater international integration through freer trade and greater international capital mobility. Such benefits may accrue through employment and real wage gains but are more likely to be realized if workers and other economic agents are responsive to the changes imposed by globalization. The *WDR* recognizes that improved labor standards may be desirable in poor countries and strongly opposes child labor and unequal treatment of minorities and disadvantaged groups. It notes, however, that most of the labor force of developing countries lies outside the formal sector so often does not benefit from labor regulations, while excessive standards, if enforced, may raise labor costs and reduce employment. Therefore, the *WDR* stresses the need to help workers outside the formal sector through job creation schemes and other mechanisms. In transition economies, it notes the wrenching changes faced by many workers and recommends action in three areas: enhancing mobility, reduc-

ing income insecurity, and equipping workers for change. The 1995 *WDR* also argues that trade unions and collective bargaining may create net benefits through higher productivity and lower costs, although it favors decentralized over centralized bargaining systems.

Challenges Ahead

The past century has been marked by widening international inequality between workers. The past fifteen to twenty years have seen a rapid advancement for large numbers of Asian workers but stagnation or decline for many in Sub-Saharan Africa, Latin America, and the Middle East, and, most recently, the former centrally planned economies of Central Asia and Europe.

- The primary challenge is, and will continue to be, a reversal of that long-run widening inequality. The Bank will continue to assist governments in creating the right environment, in which workers will be able to make the job choices, negotiate the conditions of work, and make the schooling decisions for their children that will improve the welfare of all groups of workers. The aims are robust job creation, rising productivity, and improvements in job quality.
- International assistance will also remain vital in supporting the inclusion of all groups of workers in the global economy. The Bank will therefore continue its support to governments in their efforts to establish frameworks for labor policy that complement informal and rural labor markets, support an effective system of industrial relations in the formal sector, provide safeguards for the vulnerable, and avoid biases that favor relatively well-off insiders. Union officials are likely to participate increasingly in the Bank's training and dissemination activities.
- Finally, the role of key labor standards is likely to become more important internationally. As part of this process, the Bank plans to take a more proactive role in the fight against intolerable forms of child labor. While details remain to be worked out, it is likely that the Bank will lend directly to reduce harmful child labor incidence with the advice and assistance of other key institutions and support these loans with analytical work. With regard to labor standards in general, Bank procurement practices are under review to ensure that its lending meets such standards.

Strengthening the Roles of Business and Industry

The private sector is a major driving force behind economic growth and poverty alleviation in much of the developing world. Moreover, there is strong reason to believe that private companies, if given the proper incentives, will be friendlier to the environment than state-owned monopolies, which they often replace. To enhance the role of the private sector in sustainable development, chapter 30 of *Agenda 21* supports initiatives to promote cleaner production, more efficient resource use, waste minimization, and a healthier environment. It also encourages a more dynamic private sector, emphasizing entrepreneurship and small and medium-sized firms. Finally, it encourages the creation of venture capital funds for sustainable development projects and increased training in the environmental aspects of enterprise management.

Progress since Rio

Since Rio, the World Bank Group has continued to strengthen links with the business community and with NGOs to support the expanding role of the private sector in sustainable development. The International Finance Corporation, the Bank Group's primary nexus for private sector development and investment, has increasingly worked to integrate environmental issues with business development. All projects in which IFC invests must meet the World Bank Group's high environmental standards and all local requirements. To further increase its ability to invest in environmentally sustainable development, IFC recently cre-

ated an Environmental Projects Unit in its Technical and Environment Department to develop and structure environmental projects. Despite its rapid growth in recent years, however, in terms of overall private investment, IFC is still small. Its chief contribution and impact lie in acting as a catalyst to develop and implement a variety of new financing mechanisms and to promote environmentally sustainable projects that other investors can replicate.

The Bank is also examining ways to bring public and private sector stakeholders and local communities together to tackle specific environmental problems. To this end, the institution has been working closely with the World Business Council for Sustainable Development (WBCSD). It also works with other industry groups committed to the environment, both on an international basis such as the Prince of Wales Business Leaders Forum (PWBLF), or in a specific industrial sector, such as the International Council for Mining and the Environment (ICME). At the same time, the Bank is raising the level of dialogue with individual multinational companies to understand their attitudes and approaches and to explore areas of possible cooperation, such as training in environmental management. Aided by information sharing from the Bank and UNDP, the PWBLF is bringing together examples of corporate good practice in environmental and social aspects of development, which will provide a basis for informed discussion on how to implement sustainable development concepts. In ad-

dition, as part of an independent assessment of its environmental procedures, IFC is reviewing the development aspects of its operations. These results will also contribute to this discussion.

To foster capacity for proactive environmental activity in small and medium-sized enterprises, a seminar on Ecoefficiency in the Textile Sector was developed and pilot-tested by IFC, with support from the IFC/European Commission Asia Trust Fund. There are plans to expand this training program to several countries and industry sectors through a joint effort with the Bank. IFC has also developed an innovative workshop on Environmental Risk Management for Financial Institutions. Over 265 financial institutions have participated since 1993. A new week-long, intensive course emphasizing the practical aspects of integrating environmental management into a financial institution's operations has been successfully developed, also supported by the IFC/EC Asia Trust Fund, and will soon be expanded.

The Bank is playing a growing role in supporting agencies such as the Industry and Environment Office of UNEP, a major proponent of cleaner production, in promoting the implementation of cleaner production methods. The best example to date is in China, where a Bank technical assistance project has supported UNEP in helping environmental authorities set up a national cleaner production system. The Bank is documenting and promoting cleaner production and ecoefficiency through its new *Pollution Prevention and Abatement Handbook* (forthcoming 1997), which will require analysis of such opportunities for Bank industrial projects and has already attracted considerable interest from the private sector, particularly in the area of thermal power.

The extension of the cleaner production approaches is the promotion of environmental management systems, such as International Standardization Organization's ISO14000, as a mechanism to institutionalize good operational practices. In addition to supporting governments' strengthening the institutional infrastructure for such systems, the Bank Group has been exploring ways to use commercial relationships between large and small companies to introduce good practices and environmental management systems. A pilot project has begun in Mexico to involve small local companies in developing sim-

plified environmental management systems patterned after the systems of "mentor" companies that have agreed to work with their suppliers.

Another area of Bank activity in improving the performance of industry is the involvement of environmental specialists in the process of privatization of large and inefficient state-owned enterprises (SOEs). Badly run SOEs are often major polluters. The introduction of new incentives and new management provides an opportunity to reduce waste, improve productivity, and revitalize pollution control systems. Even without specific attention to the environment, improvements have been demonstrated to follow privatization. However, the inclusion of environmental concerns can both reduce investors' concerns about subsequent environmental liability, as with Bank involvement in the mining sector in Bolivia, and identify rapid and cost-effective improvements that can be made, such as examples in heavy industry in Central Europe.

Another measure designed to improve private sector environmental performance concerns the Bank's work with national pollution control agencies to issue public ratings of companies according to how well they protect the environment (see box 23.1). The ratings are designed to reward good performance and call public attention to polluters who are not in compliance. Armed with this information, local communities can negotiate better arrangements with companies, firms with good performance can advertise their status and earn market rewards, investors can better assess potential liability costs, and regulators can better focus limited resources.

Environmental and developmental concerns provide win-win business opportunities. The Bank Group has proactively sought opportunities to invest and mobilize capital for environmental infrastructure projects, such as water supply, wastewater management, solid and hazardous waste management, and ecotourism. Capital has been mobilized for major privatizations and new treatment projects in Argentina, Brazil, and Mexico. IFC and the Bank are also providing advisory services in Argentina, Brazil, Gabon, and the Philippines on privatization of water services (see chapter 14 on Freshwater).

Awareness is growing that global environmental problems such as climate change and biodi-

Box 23.1 The PROPER method of pollution control

A new approach to regulation in Indonesia and the Philippines is showing that local communities and market forces can be powerful allies in the struggle against excessive industrial pollution. The two programs, called PROPER in Indonesia and EcoWatch in the Philippines, have involved collaboration between national pollution control agencies and World Bank staff to rate and publicly disclose factories' environmental performance. The ratings are designed to reward good performance and call public attention to polluters who are not in compliance with regulations. Armed with this information, local communities can negotiate better environmental arrangements with neighboring factories, firms with good performance

can advertise their status and earn market rewards, investors can more accurately assess environmental liabilities, and regulators can focus their limited enforcement resources on the worst performers.

During its first two years of operation, PROPER has proven quite effective in moving poor performers toward compliance and motivating some firms to pursue excellent ratings. The first EcoWatch disclosure will occur in Spring 1997, after a year of careful planning and consultation with NGOs, community leaders, and industry associations. Inspired by these and other examples of public information in action, the Governments of Colombia and Mexico are now moving rapidly toward their own public disclosure programs.

versity loss will not be solved unless the private sector adds its vast technical, managerial, and financial resources to the effort. For this purpose, IFC has developed a portfolio of environmental investments that employ grant funds from the Global Environment Facility, the Montreal Protocol, and other donors to leverage much larger amounts of private sector investment. GEF provides grants, loans, and guarantees aimed at global environmental issues, such as reduction of greenhouse gases and biodiversity conservation. The Montreal Protocol provides grants to assist country-specific projects to phase out use of ozone-depleting substances.

Specific projects and investment funds managed by IFC include:

- *The Poland Efficient Lighting Program.* Funded by \$5 million from GEF, six local manufacturers participated in this program designed to stimulate the Polish market for compact fluorescent lamps and luminaires through manufacturers' rebate and consumer education. After six months of operation, nearly 350,000 compact fluorescent lamps had been sold nationwide; the three-year goal is 1,000,000.
- *Montreal Protocol projects.* IFC approved Montreal Protocol grants totaling over \$4.8 million to assist private sector firms in complying with requirements for phasing out CFC use. Specifically, leading Turkish manufacturers of materials for the cold storage industry and Slovakian refrigerator and freezer manufacturers will eliminate CFC use. Together, these programs will eliminate over 600 tons of CFC use per year.
- *Small and Medium-Scale Enterprise (SME) Program.* This program funds GEF-eligible projects by

SMEs to leverage larger flows of private finance. The projects are conducted primarily through financial intermediaries, such as venture capital funds or NGOs, which identify and appraise eligible subprojects.

- *Biodiversity Enterprise Fund for Latin America* (proposed). IFC and private investors would bring together investment management expertise, sector know-how, and capital to make these resources available to medium-sized enterprises in sustainable forestry, ecotourism, and agriculture in South America.
- *Global Renewable Energy and Energy Efficiency Fund* (proposed). This fund would provide and equity finance from private sector investors, IFC, and GEF to medium-sized and small projects.

Lessons Learned

Progress in environmental sector investments has been slower than anticipated for a number of reasons. Primary is the difficulty in integrating private sector approaches with public sector goals. Often, government policies must change before the private sector will step in. Since 1996, therefore, IFC and the Bank have emphasized public-private partnerships to design investment projects and market transformation initiatives, as well as the use of cofunding through GEF and Montreal Protocol projects. From these collaborations, the Bank Group has developed two approaches to overcome market barriers:

- Where necessary, to "buy down" the costs and risks associated with sustainable business ventures with various measures, including conces-

sional loans, credit guarantees, equity investments, or grants for technical assistance

- To use market transformation initiatives to stimulate or “jump-start” market demand through rebates and consumer education programs, challenge grants, loans, and loan guarantees, as with the *Poland Efficient Lighting Project*. GEF funds were also recently approved for a Photovoltaic (PV) Market Transformation Initiative developed by the Bank and IFC to accelerate the introduction of PV technologies in India, Kenya, and Morocco.

Challenges Ahead

The Bank Group is committed to encouraging the private sector to invest in environmentally sound enterprises.

- Key future challenges are to continue to demonstrate the financial viability of such investments, demonstrate innovative financing approaches, build capacity in financial institutions to undertake environmental risk management, promote

“ecoefficient” project designs, and support legislative and policy frameworks that erode market barriers to sustainable development.

- The IFC strategy in this sector will be to maximize leverage of concessional funding from sources such as GEF and the Montreal Protocol with private investment capital and IFC’s own resources. This strategy increases the likelihood that projects can be replicated without further concessional support. In this effort, IFC is evaluating various nongrant financing methods to determine which instruments are most effective in catalyzing private capital flows.
- Another future challenge is to encourage a consultative process with key stakeholders, including government, industry, NGOs, and other interested parties, to develop voluntary environmental and social guidelines for private sector investment. Such consultation could contribute to a more stable and predictable investment climate in developing countries and would complement government efforts. The Bank Group could act as a catalyst and a mediator in this process.

Implementing Financial Resources and Mechanisms

The effort to promote sustainable development, most importantly in developing countries but in industrialized ones as well, cannot move forward without adequate resources. Investments in research, technology, infrastructure and social services are all necessary to change how people pursue economic well-being in environmentally sustainable ways. At the same time, issues such as the vast inequality between the wealthiest countries and the poorest, as well as the transboundary nature of threats to the environment, require effective international mechanisms to mediate among countries. In recognition of these factors, chapter 33 of *Agenda 21* calls for the multinational agencies, including the World Bank (IBRD), the International Development Association (IDA), and the Global Environment Facility, to provide adequate resources to help realize the goals articulated in the rest of the document. Chapter 33 also calls for all partners in the development process to pursue financing alternatives, such as debt swaps and tradable permits.

Progress since Rio

The years since Rio have been by far the most active period for Bank lending, concessional finance through IDA, and implementation of the GEF and Montreal Protocol. A simple—and rough—environmental accounting of the Bank's total lending since Rio is presented in table 24.1. Four types of projects are identified. First are those specifically targeted towards improving the environment (discussed below). Second are those that inarguably

Table 24.1 World Bank lending since Rio: a simple accounting of World Bank commitments, fiscal 1993–97

<i>Type of lending</i>	<i>Billions of dollars</i>	<i>Percent</i>
Total lending	108.4	100
Environment projects	8.4	8
Win-win projects	26.0	24
Category A projects	18.0	16
All other lending	56.0	52

Source: Environment Department, World Bank.

are benign to the environment while promoting economic development. These win-win projects include population, education, health, and targeted poverty reduction projects. Third are the so-called EA category A projects such as road or energy projects in which real tradeoffs may exist between protecting the environment and promoting economic development. Finally are all other programs—in agriculture, urban development, economic adjustment, and the like, which contribute positively to sustainable development if correctly designed, but without proper care can damage long-term sustainability.

Table 24.2 provides a summary of both direct lending and grant commitments, as well as the amount of cofinance (from domestic governments and the private sector, other multilateral institutions and bilateral aid agencies) making up the Bank's environment portfolio.

Since Rio, combined lending, concessional finance, and grants through the World Bank have totaled over \$10 billion. This funding has leveraged another \$15 billion in cofinancing for a broad

Table 24.2 World Bank/GEF/MP environmental loans and grants, fiscal 1992-97
(millions of dollars)

<i>World Bank</i>	<i>Concessional (IDA)</i>	<i>Lending</i>	<i>Cofinance</i>	<i>Total</i>
Energy	0.0	329.0	74.9	403.9
Env. management	801.0	1,174.3	2,227.4	4,202.7
Institution building	225.6	535.3	591.1	1,351.98
Nat. resource mgmt.	540.2	303.0	449.3	1,292.5
Pollution abatement	280.7	2,660.4	5,225.0	8,166.1
Renewable energy	115.0	80.9	262.1	458.0
Urban environment	233.0	1,718.0	2,893.3	4,844.3
Subtotal	2,195.5	6,800.9	11,723.1	20,719.5
<i>GEF</i>	<i>Grant</i>		<i>Cofinance</i>	<i>Total</i>
Biodiversity	314.0		404.1	718.1
Climate change	355.5		2,793.9	3,149.4
International waters	104.0		127.1	231.1
Multiple focal areas	19.8		51.2	71.0
Ozone depletion	109.3		99.5	208.8
Subtotal	902.5		3,475.8	4,378.3
<i>Montreal Protocol</i>	<i>Grant</i>		<i>Cofinance</i>	<i>Total</i>
Ozone depletion	226.8		(n.a.)	226.8
Total	3,324.9	6,800.9	15,198.9	25,324.6

Source: Kirk Hamilton, Environment Department, World Bank.

range of projects to support environmentally sustainable development. In addition, in 1996 the World Bank and the IMF agreed upon a debt relief initiative for highly indebted poor countries (HIPC). In coordination with actions by all creditors, an HIPC trust fund administered by IDA will provide debt relief to eligible countries on debt owed to participating multilateral institutions. Eligibility will be based upon commitments to sustained improvements in economic management, as well as structural and social policy reform on the part of recipient countries.

Another important area in which progress has been made since Rio and in which the Bank has played a pivotal role is the effort to reduce fossil fuel subsidies. Overall levels of fossil fuel subsidies in developing countries, Eastern Europe, and Russia have declined from \$115 billion in 1990/91 to \$58 billion in 1995/96, with substantial (but difficult to measure) declines also likely in the other countries of the Former Soviet Union (see *Expanding the Measure of Wealth*, World Bank 1997). This progress on subsidy reform has made an additional \$57 billion available for develop-

ment, while reducing the damaging environmental effects of excessive energy use.

Private sector participation (PSP) in water, sewage, and electric generation has also been growing since Rio. While PSP is not a panacea, it does provide access to new technologies, better management, and the implementation of a charging schema that permits increased access, improved maintenance of plant, and new investment for expansion. The key to success lies in balancing the risks between public and private sectors and in enforcing environmental performance standards.

Lessons Learned

The financing provided by the World Bank through its own lending and the grant programs it administers is just a portion of the total development assistance aimed at achieving sustainable development. The harsh fact is that overall levels of ODA as a share of GNP have been falling in the developed world since Rio. The first lesson to be learned in the years since Rio is that much of the finance for achieving the goals of *Agenda 21* will have to be found from local sources.

Other lessons include the critical importance of engaging the public in environmental projects and policies. In environmental projects, as in most others, public participation and support are important determinants of success. New experience also shows that informing the public about environmental conditions and attendant dangers can be a powerful impetus for polluters to change their ways, stimulating private finance for sustainable development.

Challenges Ahead

- *Partnerships.* The simple act of making money available for new development projects will never be enough to bring about sustainable development. The quality of investment matters at least as much as the quantity. So while the World Bank will continue to expand its environmental portfolio, there will also be a growing emphasis on ensuring successful outcomes. The level of cofinancing for environmental projects seen in table 2 speaks to the importance of partnerships in the sustainable development business.
- *Reduced subsidies.* The scope for reforming subsidies that drain governments' treasuries and are harmful to the environment is considerable. Recent estimates place the level of subsidies to fossil fuels, electricity, road transport, water, and agricultural inputs at over \$200 billion per year in developing countries. Even reducing these subsidies by half would release considerable financial resources for sustainable development, while increasing overall economic efficiency and reducing impacts on the environment. Continued progress must be made in this area.
- *Environmental taxation.* An important part of the agenda for reform is to move beyond reducing subsidies to taxing harmful products. While environmental taxes are generally most effective when applied directly to emissions, in many cases this is not practical (for transport emissions, for example), so taxing the input is second best. Expanding the scope of environmental taxes, including taxes on pollution emissions, provides not only cost-effective pollution reductions but also a source of finance.
- *International greenhouse offsets.* Expanded use of international offsets will play a growing role in dealing with greenhouse warming. In this regard, the Costa Rican program of Certifiable Transferable Greenhouse Gas Emissions Offsets, implemented through afforestation of degraded agricultural lands, is an important innovation that significantly reduces transaction costs. Offsets will provide the necessary finance for afforestation while giving emitting countries an affordable way to reduce net emissions.

For basic macroeconomic reasons, governments everywhere are being forced to constrain expenditure. In these times of fiscal restraint the issue of finance may be one of the most important motivations for embracing environmental taxes and other innovative, market-friendly approaches to protecting and enhancing the environment.

Promoting Public Awareness, Education, and Capacity Building

To focus sufficient public attention on sustainable development, broad-based efforts to educate and inform people are needed in both developing and industrialized countries. Chapter 36 of *Agenda 21* emphasizes the importance of these efforts for those involved in development.

Effective development requires strong capacity on the part of beneficiary countries to manage new projects and integrate them in their economies. This is especially true for sustainable development, where a failure to maintain and upgrade technology or a breakdown in the incentive system necessary to capture externalities can have dire consequences. Chapter 37 of *Agenda 21* emphasizes the need to build domestic capacity from the national to the municipal level and in tandem with nongovernment sectors.

Progress since Rio

To promote awareness of sustainable development issues, in Fall 1993, the Bank convened its first annual conference to address issues related to advancing environmentally sustainable development (ESD). The first conference, "Valuing the Environment," was followed in 1994, 1995, and 1996 respectively by conferences on "The Human Face of the Urban Environment," "Effective Financing of ESD," and "Rural Well-Being: From Vision to Action." In 1997, the Fifth Annual World Bank Conference on Environmentally and Socially Sustainable Development will address the national imperatives of global overlays, that is, global

ecosystem management, with a focus on the roles of science, economics, and law.

These annual ESD (now ESSD) conferences have been complemented by concurrent associated events and other conferences, many cosponsored with external partners. Over twenty such events have been held since Rio. Because of the high level of expertise participating from outside and inside the Bank, many of these events have led to published proceedings and papers that have advanced of shared literacy on various aspects of ESD. These publications have been widely distributed outside the Bank to United Nations agencies, national commissions on sustainable development, NGOs, academia, the private sector, and the civil society. They are also used by Bank staff, particularly the Economic Development Institute (EDI) and in the Learning and Leadership Center (LLC), as reference materials for training and education.

Capacity building is one of the main objectives of many Bank lending operations, including all Bank-financed environmental projects. It is a central focus of lending designed primarily to strengthen environmental institutions. Since mid-1992, such Bank-assisted projects have been undertaken in countries as diverse as Benin, Chile, China, Colombia, The Gambia, Ghana, Honduras, India, Indonesia, Korea, Morocco, Russia, and Trinidad and Tobago, together with previously approved operations in Brazil, Indonesia, Madagascar, Mauritius, Mexico, Nigeria, Pakistan, and Poland. In addition, as part of or following on regional, national, or subnational strategic planning for the environment, the Bank, often in

partnership with other donors, has supported strengthening environmental management capacity at the regional, provincial, and municipal/urban levels in many client countries. Examples include the *Pilot Program for Conservation of the Brazilian Rainforest*, which the Bank administers on behalf of the G-7 countries; the *Metropolitan Environmental Improvement Program (MEIP)* for Asia; and a new initiative known as MELISSA, or *Managing the Environment Locally in Sub-Saharan Africa*.

The Bank's policy requiring environmental assessment (EA) for Bank-financed projects with potential adverse environmental impacts has spurred domestic capacity building for EA in its client countries. In countries in which EA capacity is weak, the Bank has helped to build capacity at both the national and sectoral levels and in both the public and private sectors.

Capacity building is also the principal purpose of the Economic Development Institute. EDI assists the Bank and its borrowers to achieve the goals of poverty reduction and equitable, sustainable development by helping them to design and implement better policies and programs. EDI has organized national and regional seminars and workshops on many relevant areas for senior policymakers and development practitioners in Bank member countries over the past five years. These areas include water policy reform, agriculture and forestry, urban and industrial management, social issues (for example, resettlement and rehabilitation and social investment funds), and mainstreaming the environment.

As another part of the Bank's commitment to environmental awareness building, EDI recently launched the World Links for Development ("the WorLD") program to create on-line educational communities for secondary school students and teachers around the world. Students in developing countries will be linked by the Internet and the World Wide Web with their peers in industrialized countries for collaborative distance learning.

WorLD is working closely with GLOBE, a distance environmental education program founded under the leadership of U.S. Vice President Al Gore and funded through the U.S. National Oceanic and Atmospheric Administration (NOAA), National Aeronautics and Space Administration (NASA), and the National Science Foundation (NSF). In each country in which the WorLD program connects schools, WorLD will provide train-

ing and in some cases equipment to schools to participate in GLOBE. These schools will then become part of GLOBE's international network of more than 2,000 schools in over forty countries.

Lessons Learned

- There is a continuing need to enhance quality and effectiveness of sustainable development initiatives building on the emerging lessons. There is also the need for flexibility. Careful evaluating and disseminating of what works and what does not in projects under implementation and systematically feeding this information back into the design of new operations are important elements in this process. Particular attention needs to be given to efforts to build institutional capacity for improved environmental management and sustainable development more generally.
- Since 1992, approximately 100 countries have completed environmental strategies or action plans, in many cases with Bank assistance. In many ways, the process of these exercises has been more important than the product. Through a participatory process, these planning exercises have raised public awareness and have helped to develop domestic capacity to identify and assess environmental problems and define priority actions.
- The Bank's ESD conferences have convincingly demonstrated the need to convene processes which link experts so that lessons learned and knowledge can be shared, not only among the participants but also with others through specific dissemination strategies. Such events affect policy, inform a broader public to create a shared literacy, and help enable the Bank, in partnership with others, to respond to Agenda 21.

Challenges Ahead

Principal future challenges in the context of Bank lending operations include using EA more effectively as a strategic planning tool at the policy, sectoral, and regional levels; improving the environmental and social assessment of investment alternatives; strengthening public involvement in the EA process; and ensuring adequate implementation and supervision of project-specific environmental management plans. Even more important, however, is the need to continue to build and consolidate EA capacity within the Bank's client countries.

Implementing International Legal Instruments and Mechanisms

By their nature, environmental problems often cross rational borders. Effective solutions thus require an international response. In recognition of this, chapter 39 of *Agenda 21* calls for increasing technical assistance to developing countries in the field of environmental law as well as negotiating new instruments and mechanisms based on "both universal principles and the particular and differentiated needs and concerns of all countries."

Progress since Rio

Since 1992, greater seriousness has been attached to environmental issues and sustainable development. The Rio conference prompted the negotiation and adoption of a large number of new global and regional environmental conventions. It also placed at the forefront of the international environmental agenda the need to ensure the effectiveness of the wide range of international instruments already in place.

In its role, the Bank focuses on identifying and addressing difficulties that prevent states, developing countries in particular, from participating in or properly implementing international instruments. This task is accomplished in partnership with other universal and regional international organizations such as Food and Agriculture Organization of the United Nations, United Nations Development Programme, United Nations Environment Programme, and United Nations Institute for Training and Research (UNITAR) as well with the private sector, foundations, NGOs, and other communities.

Strengthening Legal and Institutional National Capacities

Legal capacity is a key component in ensuring sound and sustainable development. The Bank's project design and technical assistance activities address this concern by seeking to enhance the scope, content, and capacity of existing national frameworks. The Bank also helps strengthen the institutional capabilities of borrowing countries through free-standing environmental projects and/or as components of other loan and credit projects. In this context, the Legal Department has helped a large number of countries produce framework and sectoral legislation to support natural resources base and pollution control.

The Bank also assists in reviewing the involvement of countries in international environmental agreements to help reinforce their capacity to implement the agreements. For example, the Bank assisted in a comprehensive review by the Russian Federation and other states of the Former Soviet Union (FSU) of their participation in international environmental agreements.

The development of a legal and institutional framework for the involvement of local communities in environmental management and the financing of microenvironmental projects are additional examples of Bank activities aimed at strengthening the ability of stakeholders to implement environmental agreements.

Implementing International Conventions

As an implementing agency for the GEF and Ozone Trust Fund projects, the Bank contributes to the implementation of some of the most im-

portant Multilateral Environmental Agreements (MEA), such as the Montreal Protocol and the Framework Convention on Climate Change. In this context, the Bank has assisted a number of countries in phasing out ozone-depleting substances (ODS) and adopting new cost-effective, CFC-free technologies. To facilitate grant disbursements in this area, the Bank has established the Umbrella Agreement mechanism, which reduces the contractual arrangements for disbursing funds to the recipient countries.

The Bank is also an implementing agency for a GEF-financed project, the West Africa Pilot Community-based Natural Resources and Wildlife Management Project, which involves Burkina Faso and Côte d'Ivoire. The Bank has been helping these two countries develop bilateral cooperation to better address wildlife management along their shared border and prepare domestic legislation to improve national capacity to manage natural resources.

The Bank has also helped implement legal instruments to protect international waters. The GEF-financed and Bank-administered Ship-Generated Waste Management Project provides support for the ratification and effective implementation of the International Convention for the Prevention of Pollution from Ships (MARPOL 73/78) Convention, which regulates ship-generated waste. As a direct result of the project, each of the countries has adopted cost recovery legislation including a fee on cruise ship passengers. The GEF-financed and Bank-administered Wider Caribbean Initiative for Ship-Generated Waste has assisted countries in the development of model MARPOL legislation. A joint project among Algeria, Morocco, and Tunisia is another example of a GEF-financed and Bank-administered project requiring the development of legislation to implement MARPOL.

Building Expertise and Access to Information

Legal components in a number of Bank projects aim at capacity building initiatives to build expertise and increase access to information. The Regional Environmental Information Management Project (REIMP) in the Congo Basin is working to identify and compile existing data on

biological resources and to develop networks to exchange and use environmental information. The purpose is to support sustainable development and help the countries of the Congo Basin ecosystem implement the biodiversity convention. A memorandum of understanding will regulate cooperation among the six Congo Basin Rain Forest Countries (CBRFC) to implement the project.

Lessons Learned

To implement international legal instruments, there is a crucial need to strengthen domestic institutional and regulatory capacities. Building regional cooperation will also help to address transboundary environmental objectives.

International instruments have become more and more complex, with far-reaching objectives. They require that sophisticated innovative policies and mechanisms be put in place. The methods to be used (command and control/economic instruments) must reflect the local economic and social milieu within which they operate.

Public participation and dissemination of information are key components to ensure monitoring and compliance with legal instruments at the local, national, and international levels.

Challenges Ahead

Implementation of international instruments requires still more thought, and much remains to be achieved. There is still a quest for grassroots effectiveness and sustainable implementation of these instruments. Attention needs to be given to voluntary compliance through legislation and regulation as well as to building capacity to monitor and enforce legal instruments.

Bringing *Agenda 21* to the domestic level requires the "localization" of international obligations. Technical assistance should be many-fold (including investment projects, training, and education) to give treaties and conventions practical meaning in everyday life in borrowing countries.

Capacity building remains a challenge. Institutions and legislation are pillars to ensure sustainable development. They should reflect local conditions based on all stakeholders' participation.

APPENDIX

Acronyms and Abbreviations

ADB	Asian Development Bank
AdL	Aguas de Limeira
AFDB	African Development Bank
AFR	Africa Region
AFTES	Africa Technical Environmentally Sustainable Development Division
AIDS	acquired immune deficiency syndrome
AIJ	activities implemented jointly
CAS	Country Assistance Strategy
CBD	Convention on Biological Diversity
CBRFC	Congo Basin Rain Forest Countries
CDC	Centers for Disease Control
CESP	Country Environment Strategy Papers
CFCs	chlorofluorocarbons
CGAP	Consultative Group to Assist the Poorest
CGIAR	Consultative Group on International Agricultural Research
\$	current U.S. dollars
EA	Environmental Assessment
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECA	Europe and Central Asia Region
ECD	Early Child Development
EDI	Economic Development Institute
EGCG	External Gender Consultative Group
EIB	European Investment Bank
ENVLW	Land, Water, and Natural Habitats Division
ENVPE	Pollution and Environmental Economics Division
ESD	Environmentally Sustainable Development (in 1997 became Environmentally and Socially Sustainable Development (ESSD))
ESDAR	Agricultural Research and Extension Group
EU	European Union

FAO	Food and Agriculture Organization of the United Nations
FCCC	United Nations Framework Convention on Climate Change
FMTI	Forest Market Transformation Initiative
FSU	Former Soviet Union
GDP	gross domestic product
GEF	Global Environment Facility
GHG	greenhouse gas
GNP	gross national product
GOB	Government of Brazil
GWP	Global Water Partnership
ha	hectare
HIPC	Heavily Indebted Poor Countries Program
HIV	human immunodeficiency virus
IBRD	International Bank for Reconstruction and Development
ICFTU	International Confederation of Free Trade Unions
ICME	International Council for Mining and the Environment
ICZM	Integrated Coastal Zone Management
IDA	International Development Association
IDB	Inter-American Development Bank
IDF	Institutional Development Fund
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
ILO	International Labour Organisation
IMF	International Monetary Fund
IMSC	Inter-Ministerial Steering Committees
ISO	International Standardization Organization
IUCN	World Conservation Union (formerly International Union for the Conservation of Nature and Natural Resources)
LLC	Learning and Leadership Center
MARPOL 73/78	International Convention for the Prevention of Pollution from Ships
MBI	market-based instrument
MDP	Municipal Development Programme
MEA	Multilateral Environmental Agreements
MEIP	Metropolitan Environmental Improvement Program
MELISSA	Managing the Environment Locally in Sub-Saharan Africa
MENA	Middle East and North Africa Region
METAP	Mediterranean Environment Technical Assistance Program
MFI	multilateral financial institution
MFMP	Multilateral Fund for the Montreal Protocol
MIGA	Multilateral Investment Guarantee Agency
MP	Montreal Protocol
MTI	Market Transformation Initiative
NASA	National Aeronautics and Space Administration
NEAP	National Environmental Assessment Plan
NGO	nongovernmental organization

NIPA, Inc.	Filipino NGO consortium
NOAA	National Oceanic and Atmospheric Administration
NSF	National Science Foundation
OD	Operational Directive
ODA	official development assistance
ODS	ozone-depleting substances
OECD	Organisation for Economic Co-operation and Development
OP	Operational Policy
PPA	participatory poverty assessment
PROPER	Program for Pollution Control, Evaluation, and Rating
PRTR	Pollution Release and Transfer Register
PSP	private sector participation
PV	photovoltaic
PWBLF	Prince of Wales Business Leaders Forum
REIMP	Regional Environmental Information Management Project
SAGA	West Africa Social and Gender Analysis training program
SCD	Swiss Development Cooperation
SCT	Social Challenges of Transition database
SIDA	Swedish International Development Authority
SME	Small and Medium-Scale Enterprise Program
SPMA	São Paulo Metropolitan Area
STD	sexually transmitted disease
UNCED	United Nations Conference on Environment and Development
UNCHS	United Nations Centre for Human Settlements (Habitat)
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific, and Cultural Organisation
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organisation
UNITAR	United Nations Institute for Training and Research
UNSTAT	United Nations Statistical Office
WBCSD	World Business Council for Sustainable Development
WCL	World Confederation of Labor
WDR	<i>World Development Report</i>
WHO	World Health Organization
WorLD	World Links for Development Program
WRI	World Resources Institute
WWC	World Water Council
WWF	World Wildlife Fund

- 10 *Enabling the Safe Use of Biotechnology: Principles and Practice*
- 11 *Biodiversity and Agricultural Intensification: Partners for Development and Conservation*
- 12 *Rural Development: From Vision to Action (forthcoming)*
- 13 *Integrated Pest Management: Strategies and Policies for Effective Implementation*
- 14 *Rural Finance: Issues, Design, and Best Practices (forthcoming)*
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- 18 *Five Years After Rio: Innovations in Environmental Policy*
- 19 *Advancing Sustainable Development: The World Bank and Agenda 21*

Related ESD Publications

Monitoring Environmental Progress: A Report on Work in Progress

Nurturing Development: Aid and Cooperation in Today's Changing World

Toward Sustainable Management of Water Resources

Water Supply, Sanitation, and Environmental Sustainability: The Financing Challenge

The World Bank Participation Sourcebook



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March 23, 1995

- James Wolfensohn Selected President of World Bank
- Indonesia Targets Urban Services
- The Bank Under Preston
- The Bank's Presidents
- Uruguay Moves to Control High Health Care Costs
- Consultative Group Meet In Paris
- World Bank Roundup

James Wolfensohn Selected President of World Bank

The World Bank's Board of Executive Directors unanimously selected James Wolfensohn on March 16 to become the institution's ninth President. Wolfensohn will assume the presidency June 1, succeeding Lewis Preston who is retiring because of ill health.

Wolfensohn, 61, is an international investment banker who founded his own firm in 1981. Since 1990, he has been Chairman of the Board of Trustees of the John F. Kennedy Center for the Performing Arts in Washington, D.C. He is Director of both the Business Council for Sustainable Development and CBS Inc. and Chairman of the Institute for Advanced Study at Princeton University.

His selection to the Bank presidency follows his nomination by the White House earlier this month, during which U.S. President Bill Clinton said, "James Wolfensohn has already had an extraordinary career in finance and public service, spanning four decades and three continents... [He] has a long-standing, broad and active interest in the developing world and development issues... At a time when the role and mission of and funding for the World Bank and other international financial institutions are major issues, the deep respect Jim Wolfensohn already enjoys will allow him to serve as a forceful advocate for the Bank and development issues."

Retiring Bank President Lewis Preston issued a personal statement that read, "We have known each other a long time. He has proven himself to be a strong leader, and there is no doubt that the Bank will prosper in his able hands. I look forward to an easy transition."

The Bank's executive directors accepted Preston's decision to retire with regret, with appreciation for his leadership and with best wishes for his health.

Wolfensohn, upon announcement of his confirmation, said, "To follow Lew Preston is a privilege and a responsibility. He has taken a number of initiatives which I will follow... The Bank is a remarkable institution. My wife Elaine and I look forward to dedicating the rest of our working lives to advancing and developing its effectiveness for the betterment of all people."

As Bank president, Wolfensohn will be ex-officio chairman of the Executive Directors of the IBRD and IDA; ex-officio chairman of the Board of Directors of the IFC, MIA, and the Administrative Council of the International Center for Settlement of Investment Dispute.

journal

of the

UNITED NATIONS

WEDNESDAY, 25 JUNE 1997 No. 1997/121 (PART I)

PROGRAMME OF MEETINGS AND AGENDA

SCHEDULED MEETINGS

Wednesday, 25 June 1997

GENERAL ASSEMBLY

Nineteenth special session

10 a.m.

5th PLENARY MEETING

General Assembly Hall

Overall review and appraisal of the implementation of Agenda 21: debate [8]:

His Excellency Mr. Imata Kabua, President of the Republic of the Marshall Islands.

His Excellency Mr. Rafael Martínez-Monro, Minister of the Environment of Venezuela.

His Excellency Mr. Herizo Razafimahaleo, Deputy Prime Minister and Minister for Foreign Affairs of Madagascar.

His Excellency Mr. Mamane Brah, Minister of Water Resources and the Environment of Niger.

His Excellency Dr. Ali Akbar Velayati, Minister for Foreign Affairs of the Islamic Republic of Iran.

His Excellency Mr. Martin Bartenstein, Federal Minister of the Environment, Youth and Family Affairs of Austria.

His Excellency Mr. Sarwono Kusumaatmadja, Minister of State for the Environment of Indonesia.

His Excellency Mr. P. Mosisili, Deputy Prime Minister of Lesotho.

His Excellency The Honourable George W. Vella, MD, MP, Deputy Prime Minister and Minister for Foreign Affairs and the Environment of Malta.

(continued overleaf)

Note: The PROGRAMME OF MEETINGS AND AGENDA and the SUMMARY OF SCHEDULED MEETINGS of bodies other than those of the General Assembly at its fifty-first session appear in PART II (English/French) of the present issue of the Journal (No. 1997/121 (PART II)).

His Excellency The Honourable Frank H. Watson, MP, Deputy Prime Minister and Minister of National Security of the Bahamas.

His Excellency Mr. Pekka Haavisto, Minister of the Environment and Development Cooperation of Finland.

His Excellency Mr. Costas Petrides, Minister of Agriculture, Natural Resources and the Environment of Cyprus.

His Excellency The Honourable Vilisoni Cagimaivei, Minister of Urban Development, Housing and the Environment of Fiji.

His Excellency Mr. Tawfiq Kreishan, Minister for Municipal and Rural Affairs and the Environment of Jordan.

His Excellency The Honourable George W. Odum, Minister for Foreign Affairs and International Trade of Saint Lucia.

His Excellency The Honourable Rodney Williams, Minister of Tourism, Culture and the Environment of Antigua and Barbuda.

His Excellency Mr. Soubanh Srithirath, Vice-Minister for Foreign Affairs of the Lao People's Democratic Republic.

His Excellency Mr. David Peleg, Chairman of the Delegation of Israel.

Mr. Rubens Ricupero, Secretary-General of the United Nations Conference on Trade and Development.

Mr. Federico Mayor, Director-General of the United Nations Educational Scientific and Cultural Organization.

Mr. Eugenio Clariond Reyes of the International Chamber of Commerce, speaking on behalf of the Business and Industry Major Group.

Mr. James D. Wolfensohn, President of the World Bank.

3 p.m.

6th PLENARY MEETING

General Assembly Hall

Overall review and appraisal of the implementation of Agenda 21: debate [8]:

c225E His Excellency Dr. árp d Göncz, President of the Republic of Hungary.

His Excellency The Rt. Honourable Justin Malewezi, Vice-President of the Republic of Malawi.

His Royal Highness Crown Prince Sidi Mohammed, Crown Prince of the Kingdom of Morocco.

His Excellency Mr. Albert Shabangu, Minister of Economic Planning and Development of Swaziland.

His Excellency The Honourable David Sitai, Minister for Foreign Affairs of Solomon Islands.

His Excellency Mr. Pham Gia Khiem, Minister of Science and the Environment of Viet Nam.

His Excellency Mr. Nandimitra Ekanayake, Minister of Forestry and the Environment of Sri Lanka.

His Excellency Mr. Juan Villarzu, Minister Secretary-General of the Presidency of Chile.

His Excellency Sheikh Amer bin Shuwain Al-Hosni, Minister of Regional Municipalities and the Environment of Oman.

His Excellency Mr. Fritz Longchamp, Minister for Foreign Affairs and Worships of Haiti.

His Excellency Mr. Adyasuren Tsohio, Minister of the Environment of Mongolia.

His Excellency Mr. Abdulkader Bagamal, Minister of Planning and Development of Yemen.

His Excellency Mr. Valeriu Bulgari, First Deputy Prime Minister of the Republic of Moldova.

His Excellency Dr. Duri Mohammed, Chairman of the Delegation of Ethiopia.

His Excellency Mr. Philip Dimitrov, Chairman of the Delegation of Bulgaria.

His Excellency Mr. Arnulfo Fretes Escario, Vice-Minister of Natural Resources and the Environment of Paraguay.

His Excellency Mr. Jugdish Rujoobar, Permanent Secretary of the Ministry of Environment and Quality of Life of Mauritius.

His Excellency Dr. Ahmed Esmat Abdel Meguid, Secretary-General of the League of Arab States.

His Excellency Mr. Ibrahim Auf, Assistant Secretary-General of Organization of the Islamic Conference.

Dr. Nafis Sadik, Executive Director of the United Nations Population Fund.

Ms. Wangari Maathai of the Women's Environment and Development Organization, speaking on behalf of the Women's Major Group.

Committees

AD HOC COMMITTEE OF THE WHOLE OF THE NINETEENTH SPECIAL SESSION

c1 9 mnfor al consultations

FROM

(MON) 06. 23' 97 19:26/ST. 19:24/NO. 3561344222 P 8



OFFICE OF THE REGIONAL VICE PRESIDENT, AFRICA
The World Bank

ROUTING SLIP		DATE: June 23, 1997	
NAME		ROOM NO.	
Mr. Hany Assaad		MC 11-133	
☐	URGENT	☐	PER YOUR REQUEST
☐	FOR COMMENT	☐	PER OUR CONVERSATION
☒	FOR ACTION	☐	NOTE AND FILE
☐	FOR APPROVAL/CLEARANCE	☐	FOR INFORMATION
☐	FOR SIGNATURE	☐	PREPARE REPLY
☐	NOTE AND CIRCULATE	☐	NOTE AND RETURN
☐		☐	
RE: Visit with Burundi UN Representative - Briefing for Mr. Wolfensohn			
REMARKS:			
We would appreciate if you could fax this brief (the right one) to Mr. Wolfensohn. Our apologies for the mix up.			
FROM Praful Patel 		ROOM NO. J5-101	EXTENSION 34250

Hotel and Telephone Listing
June 23-25, 1997

Mr. Ismail Serageldin
Sheraton: 581-1000

Mr. Alfredo Sfeir-Younis
Cell: 917-842-2563
Pager: 322-0191

Kerri Poore
Roosevelt Hotel: 661-9600, rm. 817
Pager: 829-2443

Eivind Tandberg
Roosevelt Hotel: 661-9600, rm. 1583
Pager: 322-0210

Samuel Rachlin
Paramount Hotel: 764-5500
Cell: 202-374-2564
Pager: 829-2438

Kristyn Schrader
Paramount Hotel: 764-5500, rm. 1822
Pager: 322-0161

Andrew Steer
Grand Hyatt: 883-1234, rm. 2236
Cell: 917-842-2532

Clare Fleming
Crowne Plaza: 986-8800, rm. 617
Pager: 322-0215

Lisa M. Wood
Hilton & Towers: 586-7000, rm. 3229
Pager: 870-2507

Ken Newcombe
Office: 202-473-6010
Cell: 202-374-2641

Lou Scura
Crowne Plaza: 986-8800

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Enter telephone number from which you are calling
Wait for confirmation

FOR IMMEDIATE RELEASE



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Bank**



News Release No. 97/

World Bank Contact: David Theis (202) 473-1955

WWF Contact: Lee Poston (202) 778-9536

WORLD BANK AND WWF JOIN FORCES TO CONSERVE EARTH'S FORESTS

UNITED NATIONS, June 25, 1997—In a positive new move for the conservation of the world's forests, the World Bank and WWF* have announced a strategic partnership to promote a protected areas network of at least 10 percent of each of the world's forest types by the year 2000 and the independent certification of 200 million hectares of forests as environmentally well-managed by 2005.

During the United Nations General Assembly Special Session in New York, James D. Wolfensohn, President of the World Bank, announced that, to reach the agreed targets, the Bank will help establish 50 million hectares of new forest protected areas in its client countries and bring an additional 200 million hectares of the world's forests under third-party certification by the year 2005.

Despite lengthy consultations among governments and rising concern from the public since the Rio Earth Summit, deforestation has increased dramatically in the past five years.

Tropical forests disappear at the rate of nearly one percent per year, with the annual deforestation rate in the Brazilian Amazon increasing 34 percent since Rio. The Bank and WWF believe this partnership represents concrete steps that will produce measurable results and reverse the tide of deforestation.

The World Bank is the largest lender to developing countries for forest conservation and management. WWF is one of the world's leading conservation organizations, working in more than 100 countries. Within those countries, it has close working relationships with local communities, nongovernmental agencies and the private sector. These qualities will allow the organizations to work jointly on the four key areas of the partnership: protected areas; forest certification; creating a coalition of interest groups involved in forest use and management; and developing and encouraging creative, new methods of forest management and conservation.

WWF's forests work is part of its 1,000-day Living Planet Campaign, designed to persuade the world to save earth's most outstanding habitats and wildlife.

-###-

*WWF is known as World Wide Fund for Nature, except in the United States and Canada, where it is known as World Wildlife Fund.

Forward Header

Subject: World Bank Subsidizing Climate Change
 Author: MIME:CWood@nrdc.org at INTERNET
 Date: 6/16/97 6:10 PM
 Sender: dwysham@igc.org

For Release June 17, 1997

New Study Reveals World Bank Subsidizing Climate Change

G-7-based Oil, Gas and Coal Corporations Profiting from "Poverty Alleviation" Monies

At a time when greenhouse gas emissions are rising rapidly around the world, a new report shows that oil, gas and coal projects financed by the World Bank, whose majority control rests with the "Group of Seven" industrial nations, plus Russia, will, over the life of these projects, release more carbon dioxide than is now being produced per year by the entire planet. ✓

"Changing the Earth's Climate for Business," a report by the Institute for Policy Studies and the International Trade Information Service (U.S.), in coalition with the Halifax Initiative (Canada) and Reform the World Bank Campaign (Italy), examines fossil fuel projects financed by the World Bank since the Climate Convention was signed by most of the world's leaders in Rio in 1992. The report's findings show that the World Bank Group has not heeded the warnings of Rio: Instead it has financed fossil fuel projects around the world whose cumulative emissions contribute at least 36 billion tons of carbon dioxide into the Earth's atmosphere; current annual emissions of carbon dioxide for the planet are now about 28 billion tons.

check #

"It is the pace of World Bank financing-- about 7 billion tons of carbon dioxide per year--that is most shocking," said report co-author Daphne Wysham, coordinator of IPS's Sustainable Energy and Economy Network. "This is not only environmentally unsustainable--it is the height of hypocrisy for an institution entrusted with poverty alleviation, sustainable development, and climate change mitigation."

Need a response

The World Bank is the world's largest development institution; it is also home to the only global institution thus far established to mitigate climate change, the Global Environmental Facility (GEF). The IPS study shows that the Bank spends over 100 times as much on fossil fuel development as on the entire GEF budget for projects that "avert" greenhouse gas emissions.

The IPS research also shows that these same Bank-financed fossil fuel projects reflect significant G-7 involvement: In over 90 percent of the procurement

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contracts awarded by the Bank for work in developing countries, G-7-based oil, gas and coal corporations have played a direct capital role, profiting immensely off of monies intended for "poverty alleviation" and "sustainable development" in the Third World. Climate change is expected to pose particularly difficult challenges for the poorest people living on marginal land in developing nations--whose standard of living World Bank lending is supposed to improve. ✓ agree with later statement.

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The report's findings, while staggering, do not account for all World Bank-related greenhouse gas emissions--only those directly attributable to coal, oil, and gas projects financed since the Climate Convention was signed five years ago.

The Climate Convention places no restrictions on developing countries' CO2 emissions, so that they may address the higher priority of poverty alleviation among their populations. Yet the IPS study shows that this loophole is being exploited for private gain by some of the world's most powerful corporations. Meanwhile, less than 9 percent of overall World Bank lending is devoted to addressing the energy needs of the 2 billion impoverished people in rural areas of the global South with no access to electricity or cooking fuels other than wood, crop waste or animal dung.

Much less
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* This report, the result of a detailed investigation conducted by the Institute for Policy Studies, is being released jointly, with three other non-governmental organizations, The Halifax Initiative (Canada), the Reform the World Bank Campaign (Italy) and the International Trade Information Service (US), and is available in German, Italian, and Japanese; its release is timed to coincide with the G-7 Summit in Denver June 20-22, and at the UN General Assembly in New York, the five-year anniversary of the Earth Summit at Rio, June 23-28.

For additional information, contact:

Daphne Wysham, IPS. Phone: 202-234-9382, x208. Fax: 202-387-7915.

e-mail: dwysham@igc.apc.org

Jim Vallette, ITIS, 207-244-3106.

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Robin Round, Halifax Initiative, Ottawa, 613/241-4611. e-mail: sierra@web.net

Francesco Martone, Reform the World Bank Campaign Phone: 39.6.24404212. Fax: 39.6.2424177. E-mail: fmartone@gn.apc.org

g6ba The full report is 134 pages. If you can read attached or binary files, please send a request by e-mail for the full report. Otherwise, please send a check for \$10 (\$15 for Europeans to cover photocopying and mailing costs) to: IPS, attn: SEEN, 733-15th St., NW, Suite 1020, Washington, DC 20005.

The World Bank and the G-7: Changing the Earth's Climate for Business

An analysis of World Bank fossil fuel project lending since the Earth Summit

Key Findings:

1. Since the Earth Summit, the World Bank has funded projects that will add carbon emissions to the Earth's atmosphere equivalent to more than ALL current annual GLOBAL fossil fuel emissions. ✓

$$\frac{9.4 \times 10^9}{100} = 94 \text{ M. CBT (into atm. fring)}$$

Since the Climate Convention, designed to limit greenhouse gas emissions, was signed by most of the world's leaders at the 1992 Earth Summit in Rio de Janeiro, the World Bank Group {1} has helped finance fossil fuel projects which will, over their lifetimes, release the equivalent of more than the entire planet's current annual carbon emissions from fossil fuel burning. Our report details \$9.4 billion in Bank commitments from FY1993 to the present which, we estimate, will contribute to the emission of at least 9.8 billion tons of carbon (or 36 gigatons of carbon dioxide) over their lifetimes. In addition, we examine pending commitments of \$4.1 billion for projects that will release an additional estimated 1.4 gigatons of carbon (5.1 gigatons of CO₂). These estimates are conservative, and do not attempt to include all Bank-financed projects (such as transportation loans or Russian coal mining); were we to do so, this figure could increase by 10 times or more. Total estimated global emissions of carbon from fossil fuel consumption-- the single greatest contributor to climate change -- were approximately 6.24 gigatons {2} in 1995 (28 billion tons of CO₂). ✓

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2. Although earmarked for development assistance and poverty relief, 9 out of every 10 World Bank fossil fuel investments actually end up enriching multinational corporations. ✓

misleading

The fossil fuel projects financed by the World Bank boost sales and profits by G-7-based {3} corporations: This report examines 51 Bank-financed fossil-fuel power plants, 20 oil and/or gas field projects, 10 oil or gas pipelines, four coal mining programs that involve more than 26 mines, and 2 oil refineries--for a total of 87 fossil fuel projects. G-7 corporations, among them some of the world's largest, like Exxon, Shell, Amoco and Westinghouse, are investors, suppliers, contractors, or customers in at least 71 of these projects. Of the remaining 16 projects, at least half are actively seeking foreign investors.

3. The poorest one-third of the planet get less than one-tenth of the World Bank's energy investments while absorbing most of the environmental and social

costs of fossil fuels.

The World Bank-financed fossil fuel-intensive energy development is powering industrial expansion in developing countries, but bypassing the energy needs of the rural poor: About 78 percent of the World Bank's energy portfolio is devoted to oil, coal, and gas, most of which goes to power industry; while less than 9 percent of overall Bank lending is devoted to helping the 2 billion people in rural areas of the global South with no access to electricity or cooking fuels other than wood, crop waste or animal dung.^{4} Although the World Bank's mandate is to reduce poverty and promote sustainable development, many of the Bank-financed fossil fuel projects significantly degrade the environment and leave the rural poor worse off. Indigenous peoples and others living subsistence lifestyles are particularly hard-hit by this fossil fuel-intensive development model.

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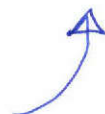
4. The World Bank invests 100 times more money in promoting climate change than in averting it.

// The Bank spends over 100 times as much on fossil fuel investments than it does on the entire GEF budget for projects that "avert" greenhouse gas emissions. The budget for the World Bank-housed Global Environmental Facility --the key global institution charged with financing projects that reduce greenhouse gas emissions -- is dwarfed by the Bank's own fossil fuel investments.

5. The World Bank and the G-7 are undermining the spirit--if not the letter--of the Climate Convention for profit.

respond

The Climate Convention allows developing countries unrestricted use of fossil fuels in order that they might address the overriding priorities of economic and social development and poverty eradication. However, this loophole is being exploited by multinational corporations, Northern governments and banks who are continuing in a "business as usual" fashion--emitting greenhouse gases and polluting local environments, while failing to address the energy and economic needs of the poorest.



FOOTNOTES *****

{1} The World Bank Group includes several institutions which provide loans, credit, equity, guarantees and risk insurance for various projects. These institutions include the International Bank for Reconstruction and Development (IBRD), commonly called the World Bank, the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA).

{2} International Energy Outlook April 1997, p. 138.

- {3} The G-7 is a group of seven of the world's most powerful industrial economies. These are Canada, France, Germany, Italy, Japan, the U.K. and the U.S. Russia has become associated with the G-7 this year.
- {4} "Energy for Rural Areas and the Urban Poor: A Strategy for Developing Countries," April 1995, Power Development, Efficiency and Household Fuels Division, Industry and Energy Dept., World Bank, p. 59.

To: Maria-Isabel Alegre
Robert T. Watson

Joint Implementation

UNGASS EARTH SUMMIT PRESS CONFERENCE

James D. Wolfensohn Talking Points

\$70-100 to reduce
a ton of carbon
in some countries \$10 -
to \$20
name

- The current state of the environment is cause for profound concern, with disappointing progress since the call to action at Rio.
- There has been a positive shift at the national level, but a huge and pressing global environmental agenda remains.
- Today the World Bank is announcing a series of actions in five areas which, if carried out in partnership with governments, environment groups and the private sector, we believe could make a real difference in tackling threats to the global environment.
- **Climate Change**
 - ⇒ Not nearly enough has been done to date. Only 2 or 3 of the OECD countries will meet their targets for 2000.
 - ⇒ The Bank believes there could be greater progress **if Joint Implementation with crediting** under the Convention becomes a practical reality.
 - ⇒ Tens of billions of dollars could be saved annually by 2010 under this voluntary mechanism, which need not imply emission limitations for developing countries.
 - ⇒ **This savings must be shared equitably between our client countries and the OECD countries.**

- ⇒ Client countries could apply these savings as they choose to facilitate expanded development financing and technology transfer.
- ⇒ These savings must also result in larger binding commitments to reduce emission on the part of industrial countries.
- ⇒ The World Bank is willing to establish a Carbon Investment Fund after the Kyoto meeting to make this happen.

- **Biodiversity and Forests**

- ⇒ **inviting the CEOs of some of the world's leading forest product companies** and conservation groups to join together in a campaign to transform the marketplace;
- ⇒ **Forest and Marine Market Transformation Initiatives:** to move the forest and marine products industries to a truly sustainable base; and
- ⇒ **Bank/WWF Alliance for Forest Conservation:** Bank and WWF are establishing a global alliance for forest conservation and sustainable use.

(Recognize Claude Martin, Director-General of the WWF International, and Kathryn Fuller, President of the WWF US, in the audience.)

- **Ozone Depletion**

- ⇒ The Bank, in collaboration with production factories and the Russian government, has developed a plan to eliminate all CFC production in Russia by the year 2000.

- **Desertification**

- ⇒ We offer to assist the Desertification Convention—in partnership with others—in establishing mechanisms for mobilizing financing and coordinating implementation.
- ⇒ Addressing desertification is essential for poverty reduction and food security in developing countries.
- ⇒ The Bank is already the largest financiers of drylands investment, but we can and must do more. *(Since 1990, 165 projects at a cost of US\$9.1 billion.)*
- ⇒ Through our new **Rural Strategy** we are helping introduce improved agricultural techniques to stem the spread of further desertification and restore degraded land.

- **Water**

- ⇒ Many of the speakers at UNGASS have referred to water as a growing crisis. We agree with this assessment.
- ⇒ The Bank and the UNDP helped establish the **Global Water Partnership** in 1996 as a key instrument to address the growing crisis. We are committed to make this work.

- **New Money for the Global Environment Facility (GEF)**

- ⇒ **The GEF must be generously replenished** with new money this year to allow it to continue its vital work of financing environmental project in developing countries.

James D. Wolfensohn
Remarks to the United Nations Special Session
June 25th 1997
TOWARDS GLOBAL SUSTAINABILITY

1. Mr. President, Mr. Secretary-General, Distinguished Heads of State, National Delegates, and colleagues from the U.N. system.
2. Five years ago in Rio, governments from around the world came together and committed themselves to a more equitable and sustainable world.
3. Five years later the picture is very mixed. As an institution dedicated to reducing poverty, we at the Bank are more aware than ever of the continuing link between the degrading environment and the poverty still afflicting so many of the world's people. Less than a quarter of the world's people consume three-quarters of its raw materials, while 3 billion people still live on less than \$2 a day.
4. At the global level we have not achieved our objectives.

5. Today, however, at the national level, we have seen a highly positive shift toward environmental responsibility, with a third of our client countries implementing national environmental strategies.

6. On a positive note, the GEF has become an effective financing mechanism to address global environmental issues. It must be replenished generously this year. The World Bank, as an implementing agency for the GEF and Montreal Protocol and in its own lending portfolio, has worked to help countries fulfill their global commitments, but is committed to doing more, as I believe we all must. Today I will outline a plan of action in 5 areas where I believe the Bank - working in partnership with many of you here - can make a real difference.

7. **First on Climate Change.** Progress has clearly been inadequate. Only 3 of the OECD countries are likely to reach their non-binding commitments under the Convention for the year 2000. It is essential that at the Kyoto meeting later this year industrial countries make a strong commitment to significantly reduce greenhouse gas emissions -- and that these commitments be implemented.

8. Continued global warming is in nobody's interest but the simple facts of the matter are that the developing countries will suffer the most damage, and their poor will be at an even greater disadvantage. I see the Bank's role in Climate Change as providing every opportunity to developing countries to benefit from the huge investment the OECD must make in reducing climate change.

9. I believe that progress would be facilitated if Joint Implementation with crediting were permitted under the Convention. I recognize that this is a sensitive issue, but I believe the gains for both the global environment and our client countries could be substantial. Under this voluntary mechanism, which need not imply aggregate emission limitations for developing countries, tens of billion of dollars could be saved annually by 2010. Of course, the savings must be shared equitably between our client countries and the OECD countries. Developing countries could apply these savings, as they choose, to facilitate expanded development financing and technology transfer. These savings must also result in larger binding commitments to reduce emissions on the part of industrial countries.

10. To help make these gains a reality, the World Bank would be willing to launch a Carbon Investment Fund, should Parties to the Convention find this helpful.

11. In addition, to promote renewable energy, we are exploring a broader strategic partnership with the GEF and other financiers that would move us towards a large-scale program of renewable energy investment.

12. **Second, on biodiversity;** we simply won't succeed unless environmental values can be reflected in the marketplace.

13. With this in mind, the Bank is creating "Market Transformation Initiatives" with the private sector and NGOs to move the forest and marine products industries to a truly sustainable base.

14. As a first step, I am inviting the CEOs of some of the world's leading forest products companies and conservation organizations to join forces with the Bank to arrest the current unacceptable rate of forest degradation.

15. I am also pleased to announce a global alliance between the Bank and WWF to help arrest the loss of forests globally. We

are committed to work together, and with others, towards achieving by the year 2000 a representative network of protected areas amounting to at least 10% of each of the world's forest types. And, in Bank client countries we will strive to achieve an additional 50 million hectares of forest ecosystems under strict conservation, and an additional 200 million hectares of tropical, temperate and boreal forests under genuinely sustainable management with independent certification, by the year 2005.

16. **Third, let me turn to ozone depletion** - the major bright spot in dealing with global environmental issues - but even here, much more needs to be done.

17. A major remaining challenge is to eliminate CFC and other ozone-depleting substance production in Russia. This accounts for nearly half of remaining CFC production world wide and, through illegal smuggling to other countries, is threatening to undermine the effectiveness of the Montreal Protocol.

18. The Bank, in collaboration with the Russian CFC producers and government, has developed a program to eliminate CFC production in Russia by 2000.

19. We now need to complete the necessary fund raising, and we seek your support in this critical endeavor.

20. **Fourth, addressing desertification** is essential for poverty reduction and food security in developing countries.

21. The Bank is already the largest financier of drylands investment, but we can and must do more.

22. We have embarked upon a revitalized Rural Strategy -- in which the links between poverty and land degradation are given special emphasis. We are helping introduce improved agricultural techniques to stem the spread of further desertification, and to restore degraded land.

23. We offer to assist the Desertification Convention -- in partnership with others -- in establishing mechanisms for mobilizing financing, and coordinating implementation.

24. **Fifth, the water crisis.** Twenty countries now are water scarce or stressed, and the number will double by 2020.

25. Developing countries will need to invest about US \$600 billion over the next decade on water. The Bank expects to lend

about US \$35 billion during this period, following the Dublin principles.

26. The Global Water Partnership offers an opportunity to solve water issues in a more holistic way, and to raise additional financial resources. We are committed to make this work, and to continue working in partnership on the Regional Seas Programs.

27. **In all these areas**, the World Bank will work in partnerships with others.

28. We will expand our work with the private sector to promote practical business opportunities for sustainable development.

29. We will join others to promote higher standards of environmental and social performance for private and public investments around the world. As an example, with the World Conservation Union, we are launching an International Advisory Commission on Large Dams to help raise standards for all large dams.

30. I recognize that we must work harder to make absolutely sure that our own house is in order.

31. With this in mind I would like to inform you of two important changes in our own organization.

- **First**, we will be consolidating the supervision of our environmental and social activities across the entire World Bank Group including IFC and MIGA. With our private sector operations assuming greater prominence, it is vital that all of our activities have the same high standards.
- **Second**, we will be establishing a stronger system of compliance monitoring for environmental policies within our own operations. Details will be announced in the near future.

32. Mr. President, Mr. Secretary-General, Distinguished Heads of State and colleagues, the growing global problems of climate change, biodiversity, forest loss, desertification and water are seriously threatening the long-term development of many of our client countries - with the poor paying the highest price.

33. These are not fringe activities. They are central to meeting human needs and reducing poverty. I wholeheartedly commit the Bank to do all it can to forge a global partnership to promote equitable approaches to global environmental issues, and to do so quickly. Time is not on our side. This agenda cannot afford to wait.

FOR IMMEDIATE RELEASE



*GEC { Climate Change
Modernity
Ozone depletion
International water*

**The
World
Bank**



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WORLD BANK AND WWF JOIN FORCES TO CONSERVE EARTH'S FORESTS

UNITED NATIONS, June 25, 1997—In a positive new move for the conservation of the world's forests, the World Bank and WWF* have announced a global alliance for forest conservation and sustainable use.

Both organizations share concern for biodiversity, climate change, deforestation and forest degradation, and recognize the urgency of dealing with these problems. Both groups agree that their effectiveness would be greatly increased through a strategic partnership which takes advantage of common goals and skills.

In the alliance, the two organizations agree that:

- ***a network of protected areas should be established*** across both developing and developed countries, which would include at least 10 percent of each of the world's major forest types by the year 2000; and
- ***large areas of natural forest in developing countries and transitional economies should be brought under real sustainable management.*** The Bank and WWF believe that, with a concerted program, it should be possible to increase the area under sustainable management from a negligible area today to 100 million hectares of temperate and colder, northern forests and 100 million hectares of tropical forests by the year 2005.

During the United Nations General Assembly Special Session in New York, the World Bank announced that, to reach the agreed targets, the Bank, in partnership with WWF and other conservation organizations, would stand ready to assist client countries to establish an additional 50 million hectares of new forest protected areas and bring an additional 200 million hectares of the world's forests under independent certification by the year 2005.

Despite lengthy consultations among governments and rising concern from the public since the Rio Earth Summit, deforestation has increased dramatically in the past five years.

*WWF is known as World Wide Fund for Nature, except in the United States and Canada, where it is known as World Wildlife Fund.

WWF/Bank Forestry

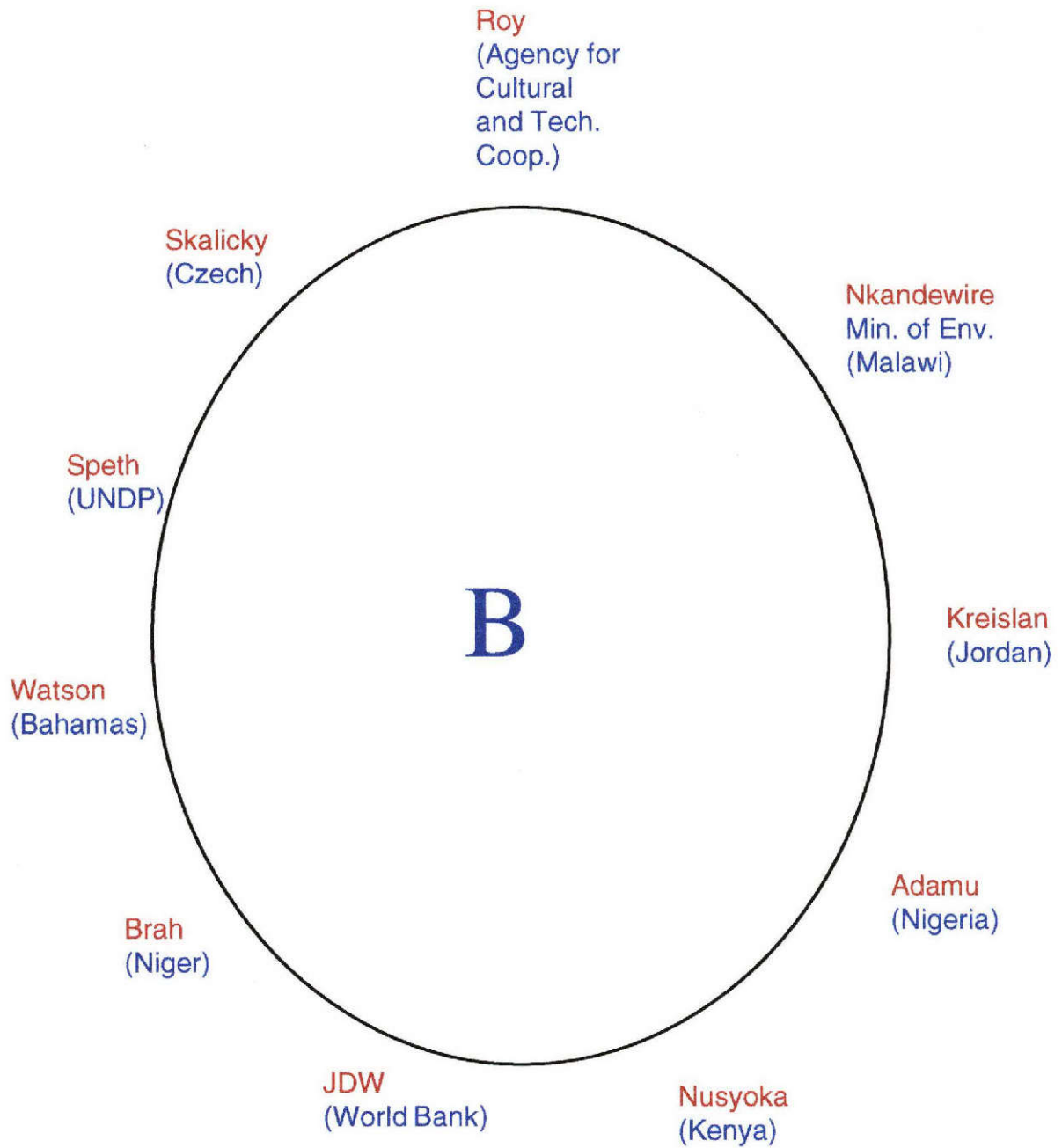
*+ Conservation International
IUCN*

Tropical forests disappear at the rate of nearly one percent per year, with the annual deforestation rate in the Brazilian Amazon increasing 34 percent since Rio. The Bank and WWF believe this partnership represents concrete steps that will produce measurable results and reverse the tide of deforestation.

The World Bank is the largest lender to developing countries for forest conservation and management. WWF is one of the world's leading conservation organizations, working in more than 100 countries. Within those countries, it has close working relationships with local communities, nongovernmental agencies and the private sector. These qualities will allow the organizations to work jointly on the four key areas of the partnership: protected areas; forest certification; creating a coalition of interest groups involved in forest use and management; and developing and encouraging creative, new methods of forest management and conservation.

WWF's forests work is part of its 1,000-day Living Planet Campaign, designed to persuade the world to save earth's most outstanding habitats and wildlife.

-###-





Global Carbon Initiative

Background

WORLD BANK AND THE ENVIRONMENT

Background

There is increasing evidence that human activities have caused, and continue to cause climate change. Last year, in a global study on climate change, scientists concluded that fossil fuel combustion and changes in land-use like agriculture and deforestation are increasing concentrations of greenhouse gasses, and thus altering the Earth's climate.

164 countries have now ratified the United Nations Framework Convention on Climate Change (UNFCCC). In Kyoto, later this year, a conference of all convention signatories is expected to result in formal commitments by OECD countries and those with economies in transition, to reduce emissions of green house gas (GHG) emissions as part of the terms of a new Kyoto Protocol to the Convention. It could also allow for international collaboration in reducing GHG emissions among these countries, and also with some developing countries but on a voluntary basis. The cost of reducing GHG emissions in OECD countries without trading is estimated to be significantly higher than with trading.

The Carbon Offset Investment Business

If bound by the "Kyoto Protocol", OECD countries could limit their emissions by financing more expensive curbs on their domestic activities and, if permitted by the Protocol, by financing some GHG reductions outside their own borders and getting credit toward their overall reduction figures. In this case, the OECD would pay for such reductions in another country only where the cost for reducing emissions is lower. The existence of supply (carbon offsets in the non-OECD countries) and demand (obligated OECD countries) thus creates a market for the buying and selling of carbon offsets. Hence, there are four key requirements needed to set up a carbon offsets market:

- Commitment among the OECD countries to binding emissions reductions;
- High carbon abatement costs in OECD countries and low carbon abatement costs in the non-OECD countries;
- Convention agreement that OECD countries can receive "credit" toward their own reduction obligations for carbon offsets purchases from the economies in transition and/or developing countries; and
- Offsets must be verified by a competent international authority in order for them to be valid and marketable.

A carbon offset trade would include the actual cost of abatement as a form of capital investment and related costs associated with the project itself and a resource rent which flows to the supplier (benefit to non-OECD partners). The resource rent is based on the expectation that deals would be negotiated at prices lying between the direct costs of the offset sellers and the alternative costs of the buyers. For instance, a domestic abatement option in an OECD country could have a cost of \$60/ton and an international abatement option could be an investment in a project whereby the costs are low at \$20/ton. The result is a surplus of \$40/ton which would be shared by the buyer and seller. The potential market for carbon offsets is large. ECON, a Norwegian consulting firm, estimates that the 2005 market could

range from \$3-16 billion in traded offset value alone. Total investment costs are typically four times the offset value.

The Carbon Investment Fund

As part of the Global Carbon Initiative, the World Bank is exploring the establishment of a Carbon Investment Fund (CIF). The Bank, through the CIF, could provide a mechanism whereby buyers and sellers of carbon offsets could efficiently invest in a pool, or fund, of carbon offset investments managed by the Bank. The CIF would act as a market intermediary by obtaining funds from investors (primarily from private sector entities in industrialized nations and governments which have binding emissions reduction obligations) and investing these funds in projects which would result in carbon emissions reductions in client countries (primarily economies in transition or developing countries, if permitted). The funds could be utilized to finance more climate friendly (less carbon intensive) regular Bank and IFC projects and the atmospheric carbon resource rent.



Partnership for Renewable Energy

Background

WORLD BANK AND THE ENVIRONMENT

Background

The Bank could create a powerful alliance with the Global Environment Facility (GEF) by allocating a portion of its energy lending to renewable energy, in order to:

- reduce the risks of climate change and simultaneously reduce local air pollution;
- adopt cost-effective clean technologies; and
- pave the way for countries to adopt a sustainable energy future.

If the Bank committed about \$600 million per year, or 20 percent of its total energy lending for five years, and agreed with the GEF for incremental funding of \$150 million per year, it could take the lead in the financing and promoting of large-scale renewable energy programs. These could produce substantial long-term economic returns and boost sustainable development. This effort would complement the Bank's traditional involvement with commercial energy which is mostly geared towards making the economic and business sectors more attractive to private investors, financing commercial energy, and providing policy advice on making the industry more efficient.

Features of the Initiative

This initiative would have unique features:

- It would look to reduce the costs of renewable energy technology by being the major global financier for solar, wind, and biomass renewable energy technologies. It would also promote markets in developing country markets by providing technical advice on how they might adopt renewable energy; and
- It would provide creative marketing and investment opportunities, including merging smaller markets into one big market to reduce the costs of long-term financial commitments and to facilitate investment in manufacturing joint ventures, and to assess the policy and information obstacles to better market development.

Projects would be required to be fully country-driven and in accordance with country assistance priorities. Competition for these resources between countries and their energy companies would result in high quality projects. Within the joint program, assistance would be needed for research and development, especially in those countries that may be interested in setting up a domestic manufacturing capacity. The program should also provide additional matching financing from other organizations such as the International Finance Corporation (IFC), foundations, and, on a more modest scale, non-governmental organizations.



Market Transformation Initiatives

Background

WORLD BANK AND THE ENVIRONMENT

Market Transformation Initiatives (MTIs) are partnerships between non-governmental organizations, private enterprise, development financiers, and private foundations with the aim of transforming market behavior to include environmentally and socially sustainable practices.

MTIs can be valuable by working together, to accelerate the rate at which the market embraces sustainable practice. MTIs are also valuable to the Bank. Its development work can be made more effective by taking advantage of the resources and specialties of the other partners.

MTIs are characterized by:

- Strategic coalitions promoting the objective of sustainable use of a particular natural resource such as global forests, or coral reefs.
- Partnerships between private sector companies, NGOs, and development financiers (including bilateral agencies and philanthropic foundations) that can provide advice or financing for largely private sector investments which demonstrate sustainable practice.
- Flexible, informal consultative mechanisms which operate cheaply and without bureaucratic red tape.

The “product” of MTIs in a particular market-place and segment (e.g., producers and consumers of timber products from Russia’s Eastern European forest, or live fish from Indonesia’s coral reefs) should be:

- quantifiable change to sustainable practice in a specified time frame, such as achieving independently certifiable sustainable forestry of 50 percent of the market from zero over a five year period;
- each member of the coalition agrees to be held accountable for the targeted market transformation; and
- strategic alliances between the Bank, governments, the private sector, and NGOs to achieve significant and measurable contributions to the desired market change.

An example of an MTI is the Forest Market Transformation Initiative (FMTI): Objectives include transforming global timber markets to sustainable practice, focusing on the main frontiers of forest loss in the Congo Basin, Papua New Guinea, Guyana, Indonesia, and Russia’s European forests. It is active in pioneering funding (“green carrot”) financing packages to stimulate sustainable practice in timber harvesting, and to improve understanding of alternative timbers. Global FMTI partners include the Strategic Environment Advantage, MacArthur Foundation, Collins Pine, B&Q, Seven Islands Timber, WWF, WRI, and the Rain Forest Action Network.

Similar MTIs under consideration include:

Photovoltaic Market Transformation Initiative (PVMTI): This MTI uses environmentally and socially friendly technology to drive sustainable development of the global energy sector. Designed by the World Bank Group, carried out by the International Finance Corporation (IFC), and financed by the GEF, the PVMTI represents a strategic coalition of groups involved in solar energy, including private companies, development financiers, and private foundations, working with local coalitions of private investors, associations, NGOs, and governments in each target market. In the first phase of the PVMTI, a US\$30 million grant was approved by the GEF Council in October, 1996, to support competitively tendered solar energy projects in India, Morocco, and Kenya. These funds will reduce obstacles to PV market development and attract additional private investment for new and expanded PV energy supply. A second phase of the PVMTI is expected to target market development in 3 additional countries.

Hydrocarbon Refrigerant Market Transformation Initiative: This MTI takes the form of the Global Hydrocarbon Refrigerant Market Barrier Review and targets the global market for alternative environmentally sustainable refrigerants. This market is driven by the Vienna Convention to protect the Ozone layer, and its funding for developing country signatories is provided by the Montreal Protocol's Multilateral Fund. Choosing technology for alternative ozone-friendly refrigeration includes substances that may have an enduring impact on climate change. Therefore, the Bank and other groups want to support alternatives that have the lowest overall impact on the global environment, i.e., are both ozone-friendly and do not produce climate change. The strategic coalition of market transformation in this initiative includes the German and Swiss Governments, the Bank, and NGOs such as Greenpeace.

Marine Products Market Transformation Initiatives: The World Wildlife Fund (WWF) and Unilever (which has 40 percent of the global seafood market) have formed the Marine Stewardship Council (MSC) to define and certify sustainable practice in the seafood industry. WWF and the Bank have agreed to explore forming MTIs targeted at leading the change towards sustainable production and harvesting practices in areas where the Bank Group is or can be active with its expertise, project portfolios, and relationships with its clients. Market segments under review for targeted Marine MTIs include shrimp and other coastal fish, inshore fisheries, and coral reef live fish markets.

Solar Development Corporation: Under the direction of the US Energy Department, the World Bank Group, and the Rockefeller Foundation have designed a Solar Development Corporation (SDC) to accelerate development for solar energy, complementing the PVMTI (above) and the IFC's GEF-supported Renewable Energy and Efficiency Fund. The SDC is to be a stand-alone company which will act as both a business developer and financier of PV operations to make them commercially sustainable.



Russian Phaseout of CFCs

Background

WORLD BANK AND THE ENVIRONMENT

Background

Russia continues to produce Chlorofluorocarbons or CFCs, a situation which seriously threatens our efforts to carry out the Montreal Protocol on ozone layer protection. It feeds a black market trade worldwide, which, in the process, undermines efforts to phase out CFCs in OECD countries. Russia's production capacity is more than half of the world's remaining capacity.

In November 1996, in response to a World Bank request, US Vice-President, Al Gore agreed to allocate US\$6 million to an initiative to halt all CFC production in Russia. The US has been an active partner with the Bank in reaching agreement with the Russian Government through the Gore-Chernomyrdin Commission and in urging other donors to contribute (Canada, Japan, Germany, Italy).

The Bank has taken the initiative to close off this source of ozone destruction and has reached an understanding with the Russian Government and private CFC producers to phase out the chemicals over an 18 month period.

Status of the Initiative

The Bank has secured formal agreements from the Russian Government and all seven Russian CFC-manufacturers that they will close CFC production in exchange for compensation worth US\$24 million.

Total funding required for the initiative is US\$27 million. This includes US\$24 million to compensate CFC producers for closing down their factories, plus US\$3 million for technical assistance, verification, and administrative costs.

Formal and informal commitments from donors have so far reached US\$15 million, leaving a shortfall of US\$12 million.

The Russian Government has offered to use existing World Bank environmental project funds for part of its technical assistance costs. However, because of procurement limitations, this may only contribute US\$1 million.

The Bank's paperwork for the project has been completed as much as possible. It is now waiting for funding commitments to materialize.

In a letter to OECD Foreign and Environment Ministers on June 4, 1997, World Bank Group President, James D. Wolfensohn, noted that the Bank and the Russian government have done all that can be realistically expected without getting the total funding required. Wolfensohn asked for the Ministers' advice on how best to proceed if the full US\$27 million cannot be raised.



Desertification

Background

WORLD BANK AND THE ENVIRONMENT

Background

Desertification and drought are global problems that affect more than 900 million people in 100 countries. Forty-one percent of the world's total land area is being wholly or partially lost to desertification or degradation including almost three-quarters of all grazing land.

These conditions are largely caused by poor land management, aggravated by prolonged periods of drought. Expanding desert coupled with drought harm sustainable development because of their impact on poverty, poor health and nutrition, lack of food security, and other problems associated with migration and population shifts.

The Desertification Convention

Building on concern voiced at the Rio Summit in 1992, a convention to combat desertification was adopted in 1994, and now ratified by eighty countries. A *Global Mechanism* (GM) was set up to help signatories of the Convention mobilize financial help. To be successful, the GM will need to draw on the strength of its steering organization(s)—still to be selected—which must have experience in managing natural resources, mobilizing financial support with emphasis on innovative funding mechanisms, and access to authoritative information and contact networks.

Other Institutions' Activities To Combat Desertification

In addition to the World Bank, the United Nations Development Programme/United Nations Statistical Office is among the largest donor agencies helping to combat desertification: between 1992 and 1996 it supported projects in some 130 countries worth \$1 billion, mainly funded by trust funds from Denmark, Norway, France, and other countries. IFAD's program, which is aimed at grassroots agricultural development, has made a major commitment to combating desertification, with 42 projects in 24 countries costing more than \$700 million. The Food and Agricultural Organization, operates more than 200 projects in 30 countries, with a strategy that conserves undamaged or slightly degraded lands; regenerates moderately damaged areas; and restores badly degraded lands.

Current and Future Role of the World Bank

The World Bank has been very active in helping countries combat desertification. During 1990-95, the Bank financed 108 projects to improve natural resource management in affected areas, at a total cost of \$6.8 billion, in addition to underwriting and extra \$13.4 billion. Since 1995 the Bank has added 57 more projects worth \$2.3 billion, while underwriting an additional \$2.7 billion.

Bank lending should support the objectives of the *Desertification Convention*, including policies and practices that reverse soil degradation. This is an important component of the Bank's new strategy on rural development. Africa should be the priority, since this is where the effects of degradation and desertification are most extensive and where the impact on the poor, especially subsistence farmers, is greatest. The Bank should play a leading role in making sure the convention works, especially in Africa.

The Bank stands ready to help the *Desertification Convention*, in partnership with others, to help mobilize finance, carry out its obligations, and enforce them.

Prepared by External Affairs, June 20, 1997

**Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa.*



Water

Background

WORLD BANK AND THE ENVIRONMENT

Background

More than a billion people lack access to adequate supplies of water and close to two billion people suffer from poor sanitation. Millions of people, especially children, die each year from contaminated water. Its quality in developing countries is generally poor and getting worse. In many areas, lack of water, not land, will be the main obstacle to better agricultural production and food security.

In the 1990s, there has been considerable alarm about matching rising demands for water with its limited supplies, and doing so without further damaging the environment. It has become clear there is an urgent need for more effective management of water resources to avert a worldwide 'water crisis'.

The Dublin Principles and Rio

An "international conference on water and the environment", held in Dublin in 1992 just before the Rio Earth Summit, was attended by over 100 countries. The meeting produced a remarkable consensus on a number of principles which should be followed in managing water. The so-called "Dublin Principles", which were incorporated into Agenda 21, are as follows:

- fresh water is a finite and vulnerable resource, essential to sustain life, development, and the environment;
- water development and management should be based on a common approach, involving users, planners, and policy-makers at all levels;
- women play a central part in the provision, management, and safeguarding of water; and
- water has an economic value and should be recognized as an economic good.

The World Bank Water Resource Management Policy

The Dublin Principles have subsequently had a wide impact on water policies at the international and national levels. For example, the World Bank's *Water Resources Management Policy Paper* of 1993 is consistent with, and builds on, the Dublin Principles.

The Global Water Partnership

"Partnership" and "collaboration" are major themes of the new consensus on how water should be managed. The Bank has actively promoted new forms of partnership aimed at translating the Dublin Principles into action on the ground. For example, the Bank actively takes part in the Global Water Partnership (GWP), which helps developing countries put the Dublin Principles into practice. The goals of the GWP are to ensure that this process produces good results for both developing country "recipients" and for "donors". The GWP has had a promising first year, initiating substantial programs in Southern Africa and South East Asia.

INTERNATIONAL

Europeans Challenge U.S. at UN Environmental Summit

Compiled by Our Staff From Dispatches

UNITED NATIONS, New York — European leaders opened a UN Earth Summit here Monday with a challenge to a reluctant Washington to accept firm targets for reducing carbon dioxide to combat global warming.

"We in Europe have put our cards on the table," Prime Minister Tony Blair of Britain said. "It is time for the special pleading to stop and for others to follow suit."

Mr. Blair, seconded by Chancellor Helmut Kohl of Germany and other European government chiefs, urged summit participants to endorse the European Union's proposal to cut carbon dioxide and other "greenhouse gases" by 15 percent below 1990 levels, with a deadline of 2010.

Governments are negotiating a new treaty to impose legally binding cut-backs in greenhouse gases. But so far, the Clinton administration, under pressure from U.S. industry and a skeptical Congress, has balked at committing

to any specific timetable of targets.

The world, Mr. Kohl said, has an "opportunity to take a major step forward" at the New York conference, where leaders and envoys from 170 nations have gathered to review progress on the environment and Third World development since the 1992 Earth Summit in Rio de Janeiro.

"We are all in this together," Mr. Blair said. "No country can opt out of global warming or fence in its own private climate."

The Europeans pressed their case despite having failed this weekend, at the Denver summit of industrial nations, to win U.S. agreement on specific reduction targets for greenhouse gases.

Earlier, Vice President Al Gore, welcoming delegates to the New York summit, declared that "we must act" to limit emissions of gases that trap the Earth's heat. But he offered no specifics.

President Bill Clinton will speak on Thursday.

Many delegates hoped the United

States, the world's No. 1 polluter, would take the lead in setting environmental goals here. But it was Mr. Kohl who promised an action plan for "Earth Summit Plus 5."

The German chancellor was joining with Brazil, South Africa and Singapore to draft a plan for adoption by the UN session "to achieve concrete progress on key issues." The centerpiece was understood to be a proposal for a new World Environment Organization.

"By making this personal commitment, we seek to lend the worldwide protection of the natural sources of life and the idea of sustainable development additional impetus and thus also to help make this special session of the General Assembly a success," Mr. Kohl said.

Mr. Kohl was due to give more details of the four-nation partnership at a news conference later with President Fernando Henrique Cardoso of Brazil, Deputy President Thabo Mbeki of South Africa and Prime Minister Goh Chok Tong of Singapore. Brazilian officials

said the initiative would focus on measures aimed at protecting the climate and forests as well as problems of urban development.

Looking back over the five years since Rio, the conference chairman, Razali Ismail, said bluntly that progress has been paltry. "We face a major recession — not economic, but a recession of spirit," the Malaysian diplomat said. "We continue to consume resources, pollute, spread and entrench poverty as though we are the last generation on Earth."

In 1992, governments endorsed the goal of "sustainable development" — developing the global economy to benefit all while protecting the environment.

But the steps that summit agreed upon were mostly voluntary, in reducing such greenhouse gases as carbon dioxide, for example, to combat global warming, and in better preserving forests.

The record since then is spurring calls for tougher, mandatory actions. Carbon emissions have actually increased — in the United States by more than 13 per-

cent. Fresh water is increasingly scarce. Forests are being lost at a rate of 55,000 square miles (142,450 square kilometers) per year. On the development side, the number of people living on less than \$1 a day has edged above 1.1 billion.

In closed-door, presummit talks, diplomats debated what conclusion to reach in the political statement that will end the summit: Is the environmental outlook "worse" than five years ago, or "not much better"?

Such duels over language were the easy part. The harder negotiations were expected to drag on through the week over global warming and other more concrete issues.

Governments agreed two years ago to produce by late 1997 a new treaty on global warming requiring industrial nations to cut back greenhouse gas emissions.

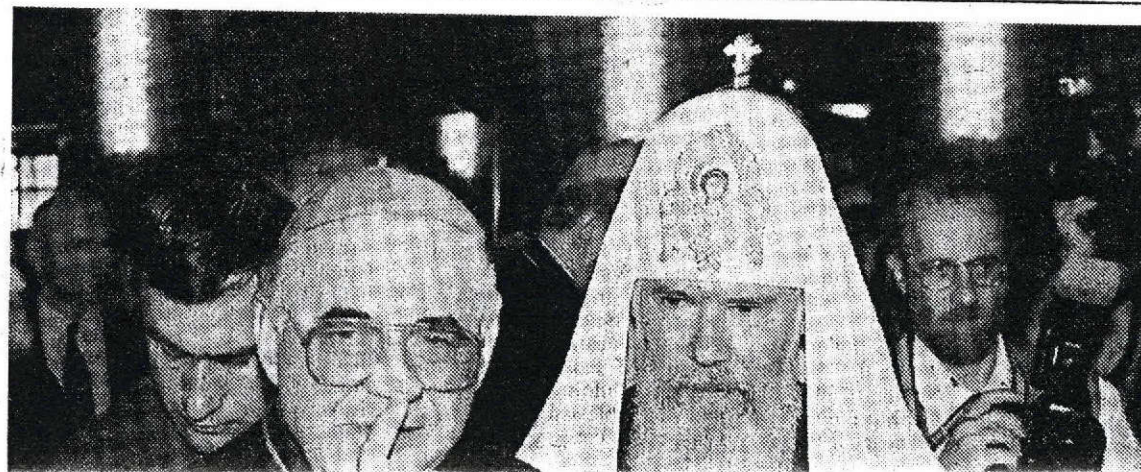
A U.S. Senate majority says it will block any treaty that does not also mandate reductions by China and other developing countries. (AP, Reuters)

Clinton's Class In Economics Annoys Some

Reuters

PARIS — Inspiring to some, humiliating or infuriating to others, President Bill Clinton's lessons in economics and job creation at a weekend Group of Seven summit meeting in Denver drew mixed reviews in Europe on Monday.

There was no dispute that the main message was that Europe's the



LIBERIA: Hurtling

Continued from Page 1

ginning Tuesday, election officials are to register the entire country in a 10-day period — even though many Liberians lost all identity documents in the war.

Some Liberian intellectuals and foreign aid workers voice hope that even an imperfect election might yield a government with enough credibility to demilitarize Liberian politics. "Hopefully, this could create the conditions for a real election" in a year or two, said a Liberian working for a Western agency.

But many warn that the election risks reigniting the war. For several months, a



FROM

(TUE) 06. 24' 97 18:27/ST. 18:26/NO. 3561344227 P 1

The World Bank
Washington, D.C. 20433

Office of
James D. Wolfensohn
President

Tel.: (202) 473-0524

Fax.: (202) 522-1677

FACSIMILE TRANSMITTAL FORM

DATE: June 24, 1997

No. of Pages: 10
(including this page)

TO: Ms. Caroline Anstey
A Guest at the Sheraton Russell Hotel

FAX #: (212) 889-3193

FROM: Hany Assaad
Assistant to the President

Caroline,

Kindly forward the attached (2) documents to Mr. Wolfensohn. The note from Caio, "United Nations Development Operations: Measures and Proposals", has an attachment which was faxed to Mr. Wolfensohn yesterday.

Best regards,

Hany

FROM

(TUE) 06. 24' 97 18:27/ST. 18:26/NO. 3561344227 P 2

LuI 4011
HA

The World Bank
Washington, D.C. 20433
U.S.A

CAIO K. KOCH-WESER
Managing Director

June 24, 1997

Mr. James D. Wolfensohn

Jim,

Re: United Nations Development Operations: Measures and Proposals

I will not be at your Wednesday meeting with Maurice, but wanted to comment on his proposals for UN Development Operations (copy attached).

Two of the proposals refer to the Bank:

- "That the assistance provided, respectively, by the United Nations and the World Bank be better rationalized with the United Nations focusing on technical cooperation and the development of national capacity and the World Bank focusing on capital assistance and its lending programs."
- "A Task Force under the joint leadership of the Head of UNDG and the President of the World Bank will be constituted to look into the possibility of the creation of a Social Development Fund and the use of grant resources channelled through the United Nations system being utilized to guarantee debt issues such as bonds for social development projects."

The first, if strictly implemented, would constitute a dramatic retrogression in the Bank's operations — back to their early focus on lending and bricks-and-mortar approaches to development.

The second would duplicate already existing Bank capacity — via IDA — to make grants available to countries that are too indebted to afford even credits.

The bottom line is that we think neither makes sense. You may want to indicate this in your conversation with Maurice.

Caio
6/24

Attachment

cc: Messrs. Kaji, Sandstrom, Malloch Brown

FROM

(TUE) 06. 24' 97 18:27/ST. 18:26/NO. 3561344227 P 3

THE WORLD BANK GROUP
Resident Mission in the West Bank and Gaza
P.O. Box 54842, Jerusalem

West Bank Office: Telephone (972-2) 574-6500 • Fax (972-2) 574-6543
Gaza Office: Telephone (972-7) 824-746 • Fax (972-7) 824-496

FACSIMILE COVER SHEET AND MESSAGE

DATE:	June 24, 1997	PAGES:	8 (including cover sheet)
TO:	Mr. Hany A. ASSAAD	FAX NO.:	+1 202-522-1677
Title:	Assistant to the President		
Organization:	World Bank		
City:	Washington D.C.		
FROM:	Judith PRESS	FAX NO.:	+972 2-574-6543
Title:	Senior PSD Officer	Telephone:	+972 2-574-6535
Dept/Div:	MNCWG		
SUBJECT:	Notes for Mr. Wolfensohn's conversation with Minister Sharansky regarding the Gaza Industrial Estate Project		

MESSAGE:

Dear Hany,

Odin Knudsen has asked me to send you notes to be forwarded to Mr. Wolfensohn in preparation for his telephone conversation with Israeli Industry and Trade Minister Sharansky.

Please find attached:

- A 1-page note entitled "Gaza Industrial Estate Project", with summary project information, but focusing on the issue we hope Mr. Wolfensohn will address with Minister Sharansky;
- A 1-page note entitled "Security, Access and Shipping Package", which we sent out yesterday to the Palestinians, Israelis, and Americans; and
- A 5-page note, also entitled "Gaza Industrial Estate Project", providing fuller background and project information, should Mr. Wolfensohn wish to refer to it.

Thank you very much in advance for your assistance in ensuring that these reach Mr. Wolfensohn as soon as possible.

Regards,



Judith Press

Transmission authorized by: authorization

If you experience any problem in receiving this transmission, inform the sender at the telephone or fax no. listed above.

Gaza Industrial Estate Project

Description

- The Gaza Industrial Estate (GIE) is a pioneer project — the first of a series of industrial zones or “estates” aimed at jump-starting industrial development in the West Bank and Gaza.
- Off-site infrastructure and technical assistance are estimated to cost US\$23 million, of which US\$10 million from the Bank¹. Site development, estimated at US\$39 million, will be financed by the developer, local private sector investors, IFC and the European Investment Bank (EIB). Land for the GIE, valued at US\$23.5 million, has been provided by the Palestinian Authority through a 49 year nominal (\$1) lease. (Total cost: US\$85.5 million).

Status

- Site development: underway; foundations being laid, on-site infrastructure being prepared. Estate expected to be operational before the end of the year.
- Enabling environment: draft industrial zones law, establishing zones authority, has been finalized; is being prepared for discussion by council of ministers.
- Off-site infrastructure: all immediate off-site infrastructure requirements will be met before site is operational; designs for full requirements largely completed, financing identified.

Critical Steps Remaining

- The make-or-break issue for the GIE is to make it effectively “closure-free”.
- Since we understand that no Israeli Government can make a formal undertaking in this respect, we need to have in place a package regarding security, access and shipping that is acceptable to both the Palestinian Authority and the Government of Israel, as well as encouraging to investors.
- We are seeking agreement on a special status for the GIE, including principles regarding the movement of goods and access of people so as to ensure that inputs and outputs can be delivered undamaged in a timely fashion and without significant additional costs. This special status should allow the GIE to continue normal operations even if a closure is otherwise generally imposed.
- Specific technical arrangements would be put in place to address detailed issues, including security checks.
- Attached, please find a note which was sent to the Palestinians, Israelis and Americans on June 23 on this matter.

JPress
June 24, 1997

¹ / reduced from over US\$30 million as infrastructure costs have firmed, and technical assistance reduced.

GAZA INDUSTRIAL ESTATE PROJECT

SECURITY, ACCESS AND SHIPPING PACKAGE

A critical issue for the success of the GIE project, and any other export-oriented estate established in the Palestinian territories, is to have in place a package regarding security, access and shipping that is acceptable to both GoI and the PA, as well as encouraging to investors. The package would comprise a framework agreement and separate specific technical arrangements.

The framework agreement should establish a special status for the estate as well as principles governing the way in which the movement of goods and access of people will be addressed in order to ensure that inputs and outputs can be delivered undamaged in a timely fashion, and without significant extra costs. This special status should, *inter alia*, enable the estate to continue normal operations even if a closure is otherwise generally imposed. The framework agreement should be appropriate for all export-oriented industrial estates.

The specific technical arrangements would address detailed issues such as the shipment of goods and access of people to and from the estate. These arrangements are likely to evolve over time as technological possibilities develop, but would always respect the framework agreement.

A framework agreement signed by both GoI and the PA should enable World Bank management to present the GIE project to its Executive Directors for consideration. An initial set of specific technical arrangements, that would not significantly impair the commercial viability of operations at the GIE, would need to be in place before the Credit could become effective.



The World Bank

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Gaza Industrial Estate Project

Project Overview

The West Bank and Gaza has a very low level of industrialization and high level of unemployment. The industrial sector contributes only 8 percent of GDP, and currently faces a number of serious obstacles. The Gaza Industrial Estate (GIE) is a pioneer project — the first of a series of industrial zones or "estates" aimed at jump-starting industrial development in the West Bank and Gaza (WBG). The project's development objectives are to create direct and indirect employment in Gaza through bringing about conditions conducive to industrial investment and providing appropriate physical infrastructure for industry. A legal and regulatory environment is being established to attract potential investors. In addition, a special status will be established for the GIE which should allow it to continue normal operations even if a closure is otherwise generally imposed.

The total cost of the project is estimated at US\$85.5 million, of which US\$39 million is expected to come from private sector investors, including the developer, local private sector investors, the International Finance Corporation (IFC) and the European Investment Bank (EIB). The land on which the GIE is being developed has been provided by the Palestinian Authority through a 49 year nominal (\$1) lease at a fee and is valued at US\$23.5 million. The remaining budget of US\$23 million will be covered by the donor community for technical assistance and off-site infrastructure components, of which US\$10 by the World Bank.

This project is designed as the first phase in a broader program of industrial estate development. The GIE is the first of the *Export-Oriented Estates*, targeting primarily, but not exclusively, export markets. A proposed project in Jenin would be the second such estate, with funding expected from the German government. Located internally and focused mainly on the domestic market are *Local Industrial Estates*, of which a proposed project for Nablus would be the first. *Municipal Industrial Estates* constitute the third dimension of the program. These estates are designed to provide needed facilities for small workshops in municipal areas and have an added policy dimension aimed at addressing newly enforced municipal zoning requirements.

The first phase of the GIE is projected to be completed by October 1997. The developer's implementation schedule indicates that 12 standard factory buildings will be completed for this phase, as well as 15 open lots. Further development of the site in phases II and III could be completed by August 1998 and July 1999 respectively, depending on the level of tenant investor demand. At full capacity, the GIE is expected to create some 20,000 permanent jobs, with an additional 30,000 jobs created indirectly for services and associated manufacturing operations.

Donors have played a key role in providing technical assistance for the project and funding for off-site infrastructure. The World Bank is projected to make the largest donor contribution to the project, including a \$10 million IDA credit, as well as nearly \$1 million directed to the project through other project funds for items such as an access road and an interim wastewater connection to the Gaza municipal treatment plant. USAID is contributing over \$5.2 million toward off-site infrastructure, including production wells, a reverse osmosis water treatment plant, and a standby power generator, and various design components, as well as US\$1 million for technical assistance. The European Investment Bank is prepared to finance other water-related off-site components.

Project Rationale

The GIE Project and Industrial Zone Development Program overall address several policy issues requiring urgent attention. The industrial and manufacturing sector in the WBG lags well behind that of other comparable developing economies in terms of its contribution to GDP and employment. This is due to a combination of factors prevailing in the WBG over the years, including the absence of policies governing and promoting industrial development, limited and inadequate production facilities and infrastructure (including three phase electricity and telecommunications connections, in particular), an unstable political environment, inhibited movement of goods and people between Israel and the WBG, and obstructed access to local, regional and international markets. These issues are explored in further detail below:

- **Industrial Sector Development.** The GIE and subsequent industrial estates developed under the program will contribute significantly to industrial development in the WBG. The industrial sector currently represents a meager 8% contribution to GDP and approximately 15% of total employment. The provision of serviced land with complementary business support services and access to local, regional and international markets will greatly encourage investment, production and productivity within this sector.
- **Job Creation.** The GIE project alone is projected to create 20,000 jobs directly on-site and another 30,000 jobs indirectly for services and associated manufacturing operations. In order for this ambitious objective to be met, a screening criterion has been established ensure that only highly labor intensive operations would be approved to operate at the GIE.
- **Attraction of Foreign Direct Investment (FDI) & Local Investment.** Adequate infrastructure and a transparent and efficient policy and institutional environment are important to attract FDI. The GIE will offer such facilities and services in addition to a competitive regional platform for production and marketing into European and Middle Eastern export markets. Relatively low wages, a well-educated workforce and favorable trade agreements with the EU and the US makes the WBG an attractive option for potential investors, both local and foreign.

- **Tax Revenue & Spillover Effect for the Economy.** New manufacturing operations established at the GIE will expand the tax base for the Palestinian Authority, whether the investors are local or foreign. Moreover, the GIE and other export-oriented zones, in particular, will boost export production, thereby decreasing the current trade deficit, and earning needed foreign exchange.

Project Status

Off-Site Infrastructure Development

The World Bank has acted in response to the Ministry of Industry's request for a fast track approach to the project. An access road to the site and an interim wastewater connection to the Gaza municipal treatment plant have been tendered and awarded and are now at the point of commencing construction. Tenders were awarded on April 10 for a contract to prepare the bidding documents and to oversee the awarding of a contract for the full wastewater treatment and disposal system to be funded by the World Bank. An agreement has also been reached with the Palestinian Authority (PA), whereby it would bridge finance the construction of the electrical power connection to the site, including the construction of the distribution system, thus making this component eligible for retroactive financing subject to approval of the project by the Bank's Executive Directors.

The World Bank is also in discussion with the PA concerning the establishment of a project preparation advance (PPA), which would provide an advance on the West Bank/Gaza Trust Fund Credit to facilitate project preparation, including the establishment of the Palestinian Industrial & Free Zone Authority (PIFZA) and technical assistance requirements.

For its part, USAID has already awarded a contract for the design and construction of the water supply and treatment system, supply of the electrical generator, the design of the electrical distribution system, and various operating and maintenance components. The USAID contribution to the project is \$5.2 million, with a possible further \$1 million for technical assistance.

Discussions are also underway with the European Investment Bank (EIB) to finance certain other water-related off-site infrastructure components at approximately \$5 million.

Enabling Environment

The principal laws of relevance to investors interested in the GIE are the Investment Law (IL), the Tax Code (TC) and the Palestinian Industrial and Free Zone Law (PIFZL). These laws, combined with their implementing rules and regulations and institutions, comprise the enabling environment.

- **Investment Law & Tax Code.** In March, the Ministry of Economy & Trade invited relevant ministries, the private sector, and FIAS (Foreign Investment Advisory Service) of the World Bank Group to participate in discussions concerning the Investment Law. It was decided that the Tax Code, under preparation, would provide the major fiscal incentives, with a lower overall corporate tax rate instead of using tax holidays. The Investment Law would provide horizontal incentives, targeting key economic sectors, instead of a vertical approach favoring larger-scale investment projects across all sectors.
- **Palestinian Industrial & Free Zone Law (PIFZL) and Authority (PIFZA).** The PIFZL will establish PIFZA, the regulatory and supervisory body dealing with industrial and free zones, and define the relationship between PIFZA, the developer and tenant enterprises and their respective rights and obligations. The draft PIFZL is now in its final form and is being prepared for discussion by the Council of Ministers. It incorporates provisions for both industrial zones and free zones; the latter may comprise part of an industrial zone.

Project Viability

Project viability will hinge on a number of critical success factors. These factors are discussed below:

- **Shipment of Goods/Access of People.** A critical issue for the success of the GIE project, and any other export-oriented estate established in the West Bank and Gaza, is to have in place a package regarding the shipment of goods and access of people that is acceptable to both the Palestinian Authority and the Government of Israel, as well as encouraging to investors. A special status will be established for the GIE, addressing the movement of goods and access of people so as to ensure that inputs and outputs can be delivered undamaged in a timely fashion and without significant additional costs. This special status should allow the GIE to continue normal operations even if a closure is otherwise generally imposed.
- **Site/Off-Site Development.** The project is currently within its implementation schedule and should be operational before the end of the year. The developer has awarded three contracts for site development, including infrastructure, construction of the administration building and construction of the standard factory buildings. Projected rates at the GIE are competitive compared to Israel and many other international zones.
- **The Enabling Environment.** As noted earlier, significant progress has been made in advancing the legal framework and institutional arrangements to ensure transparency, efficiency and encourage investor confidence.
- **Trade Agreements.** The trade agreements recently signed with the United States and the European Union are particularly attractive to foreign investors. Unlike other US trade agreements, such as with countries in Latin America, goods produced in the West Bank/Gaza would be both duty free *and* quota free. A

number of foreign investors have already expressed an interest in using the GIE as a platform for exports to the US and European markets. (See below.)

- **Project Marketability.** Two preliminary market surveys were conducted for the project; both indicated strong international, regional and local interest in the site. A further study was recently conducted by a local consultancy which identified key potential local tenants for the site. The site developer, has developed a three stage marketing plan aimed first at local Palestinian investors with existing exports to Israel and beyond and/or existing subcontracting relations with Israeli or multinational firms. To date, seven memoranda of understanding have been signed with local firms satisfying these criteria. Together, these potential tenants would employ 3,253 workers and would occupy six standard factory buildings and 12,200 square meters of open plots. Another 13 investors have expressed an interest in the GIE, including British and South African firms.

The World Bank



News Release No. 97/1377 S

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WORLD BANK OFFERS "GREEN TOP TEN" IN ADVANCE OF UN EARTH SUMMIT *Calls for renewed efforts to safeguard environment*

WASHINGTON, June 5, 1997—Today, on World Environment Day, the World Bank presents ten measures which, it believes, can exert real impact on improving and protecting the environment. The call comes as world leaders, including President Clinton, and other dignitaries such as World Bank President James D. Wolfensohn, prepare to attend a Special Session of the UN General Assembly on the Environment in New York later this month.

The Earth Summit+5, as the UN session is called, will assess how much progress has been made on environmental priorities such as global warming, depletion of tropical forests, air pollution, and water conservation, since the first Earth Summit was held in Rio de Janeiro in 1992.

The World Bank says that despite encouraging progress in some of these areas, for example, reducing lead in gasoline and cutting the use of ozone-depleting chemicals, the current state of the global environment remains cause for profound concern. It notes that carbon dioxide emissions in developing countries have jumped by nearly 25 per cent since Rio, that pollution continues to worsen in many world cities, with 1.3 billion people still affected by poisonous air, and that tropical plants and bird life continue to be lost at a rapid rate.

According to the **World Bank's Managing Director of Operations, Caio Koch-Weser**, the bank is deeply concerned about the lack of momentum since the Rio Summit. He says the time has come for greater global partnership between industrialized and developing countries, UN agencies, private business, universities, international banks, local communities, non-governmental organizations, and other groups to forge a more strategic approach for safeguarding the environment.

*"As central to this approach," says **Andrew Steer, Director of the Bank's Environment Department**, "we are presenting a list of ten measures which could make a real difference to the environment in the long-term."*

- Phase out Lead in Gasoline Within Five Years
- Move Toward More Aggressive Elimination of CFCs
- Build Global Carbon Markets to Reduce Climate Change
- Make Water an Economic Asset
- Make Cities More Livable

- Conserve and Manage Critical Ecosystems on Land and at Sea
- Commit New Money for the Global Environment Facility (GEF)
- Build Alliances to Transform the Marketplace
- Adopt Greener Accounting and Eliminate Harmful Subsidies
- Apply Environmental and Social Assessment Consistently

*“As the new millennium approaches, we must step up efforts to work together as partners in this critical pursuit of protecting the environment,” says **Caio Koch-Weser**. “Together we must take steps to transform the marketplace so that environmental and social concerns are addressed right from the very beginning. No less than the future of the planet, and the quality of life it affords mankind, are at stake.”*

Echoing the call for greater partnership, Andrew Steer adds that the Bank has developed a close working relationship with many of the leading environmental groups, including the World Conservation Union (IUCN), which is the largest umbrella group of conservation organizations in the world. Steer says he was especially gratified that the president of the IUCN, Yolanda Kakabadse of Ecuador, and its assistant director-general, George Greene, were able to attend today’s press conference.

The World Bank is now the world’s leading financier of environmental reforms in the developing world, with \$11.5 billion in loans for 153 projects in 62 countries. Bank Group President, James Wolfensohn, will address the UN Earth Summit +5, June 23-27, to appeal for a renewed campaign to protect the world’s natural heritage, and outline the World Bank’s efforts in support of the goals of the Rio Summit.

TOP 10 FOLLOWS

WORLD BANK "GREEN TOP TEN"

The
World
Bank



- **Phase out Lead in Gasoline Within Five Years**—The Bank calls for a global conversion from leaded to unleaded fuel to reduce air pollution and health problems associated with lead exposure. Phased-out so far in 18 countries, including Brazil, Canada, Thailand, and the United States, leaded gasoline is believed to be responsible for neurological damage and heart disease among children, especially in developing countries. The Bank says that countries could recover their costs of conversion 5 to 10 times over through reduced health care costs and economic savings. The United States, for example, saved more than \$10 for every \$1 invested in its conversion. The Bank would stand ready to assist governments in introducing policies and programs to assist in the complete phase-out of leaded fuel.
- **Move Toward More Aggressive Elimination of CFCs**—The Bank says helping Russia curtail its production and use of chlorofluorocarbons, or CFCs, could arrest further depletion of stratospheric ozone. With help from a \$60 million joint World Bank-Global Environment Facility initiative, the Russian Federation has now agreed to phase out CFCs by the year 2000—but needs modest financial support from the industrial countries. The Bank says this could be repeated in China, India, Korea, Venezuela, Brazil, and Mexico, the world's other significant CFC producers, if the international donor community can provide the necessary financial support.
- **Build Global Carbon Markets to Reduce Climate Change**—As an agency closely involved in putting the Climate Change Convention into practice, the World Bank is exploring innovative remedies for the growing problem of climate change. One promising avenue is the concept of building global markets for trading greenhouse gas emissions. In other words, a company in one country may meet the Convention's emission standards by investing in pollution reduction in another country. This mechanism could lower the costs of reducing global emissions, and promote more ambitious global climate policies. Recent pilot projects by countries such as Costa Rica should be widely supported. The Bank is also encouraging private companies to finance renewable energy development in countries such as Indonesia and India.
- **Make Water an Economic Asset**—Water has long been considered a special commodity and not a normal economic resource. Subsidies to households, farmers, and other users have been commonplace throughout the world. This approach has proved to be unfair since it is always the rich who benefit from these subsidies, while the poor often miss out. About 1 billion people still lack access to formal water supply services. In urban areas the poor, who mostly lack domestic running water, typically have to buy their water from vendors, paying 10 times more for a gallon of water than someone with a municipal water connection. Furthermore, subsidies mean that water is wasted. With water scarcity a fact of life in many developing countries, it is imperative that water be treated as a precious, economic, resource. This means that the price of water should reflect the actual costs involved in delivering water, that the private sector should play a greater role in financing and managing water systems,

and that market mechanisms (such as tradable water rights and pollution charges) need to become more universal.

- **Make Cities More Livable**—The World Bank warns that in developing countries, where millions of people are leaving rural areas for the cities, urban environmental problems impose considerable costs, especially in damage to the personal health of mostly poor residents. After nearly 25 years of helping the developing world cope with urban problems, during which it has supported more than 50 projects worth \$6 billion in 30 countries, the Bank believes that making cities more livable depends on tackling environmental problems which cause the greatest harm and can be solved at modest cost. For example, the harmful effects of inhaling dust and soot from vehicle exhaust, power plants, cooking, and trash burning can be greatly reduced in industry with modest investments in dust collection and filters, and greater vigilance on the shopfloor. The Bank notes that 18,000 fewer people would die prematurely in 18 Central and Eastern European cities, with annual savings of more than \$1.2 billion in working time gained, by achieving European Union air pollution standards. The Bank also argues that microbial diseases in drinking water contaminated by rats, flies, and mosquitoes cost billions of dollars in lost lives and bad health in developing countries' cities. With modest investment in cleaner water supplies, together with efforts to improve urban air quality, the Bank believes that cities can be made more livable for millions of the world's people. DUST
MICROBIAL
INFECTION
- **Conserve and Manage Critical Ecosystems on Land and at Sea**—Many areas of unique natural value continue to degrade due to lack of protection. A targeted approach is required. Recently the Bank has partnered and supported organizations such as Conservation International, Worldwide Fund for Nature, and IUCN in identifying priorities for action. On land and sea, the Bank is providing widespread support for establishing and managing protected areas around the world. The partnership between the Bank and IUCN has produced a number of innovative biodiversity initiatives, including the Global Representative System of Marine Protected Areas. The Bank is helping developing countries make projects in agriculture, forestry, energy, tourism, coastal zone management, and urban and infrastructure projects more “biodiversity friendly”. For example, projects in Honduras, Nicaragua, and Panama promote sustainable agriculture to alleviate poverty and discourage the expansion of farming activities into the Atlantic forests of the Meso-American Biodiversity Corridor. Other projects like Indonesia's COREMAP promote conservation, and sustainable use of some of the world's richest coral reefs and other coastal ecosystems.
- **Commit New Money for the Global Environment Facility (GEF)**—The World Bank calls for a substantial new cash injection for the Global Environmental Facility, or GEF. Created in 1991 with a \$2 billion inaugural fund, the GEF provides grants to developing countries to help them reduce the risk of climate change; promote biodiversity; protect international waters; and phase out ozone-depleting substances, such as CFC's. With GEF-sponsored success stories growing throughout the developing world, such as a biodiversity protection project in Belarus and an energy efficiency project in Thailand, the Bank says the Facility should be replenished with new money. Discussions among governments concerning replenishment are currently underway.
- **Build Alliances to Transform the Marketplace**—Moving from present to sustainable practices is hampered in many economic sectors by high risks, lack of knowledge and

finance, wrong economic incentives, and the absence of "green" markets. The World Bank believes that removing such barriers throughout the value chain will require active partnerships among private investors, NGOs, governments, financiers, and local communities. Toward this end, the Bank will be supporting such "Market Transformation Initiatives" in forestry, marine industries, and solar energy.

- **Be Consistent with Environmental and Social Assessment**—Techniques are currently available to ensure that environmental and social concerns feature prominently in policy and project design, yet these are inconsistently applied. The World Bank calls on international financial institutions (including export credit agencies) to harmonize their standards and apply them consistently. The Bank is currently actively strengthening its own practices and—in partnership with IUCN and other groups—has embarked on a major training and capacity-building program in Africa. Ensuring consistently high standards is especially important for potentially damaging investments in infrastructure and energy. The establishment of an independent "commission" on large dams, agreed upon last month at a meeting convened by the World Bank and IUCN, is an important effort to ratchet up performance in this sector.
- **Adopt Greener Accounting and Eliminate Harmful Subsidies**—Traditional measures of economic progress ignore the depletion of natural resources and the subsequent costs of environmental damage. The Bank has been in the vanguard of efforts to link economic and environment issues by expanding the measure of a country's wealth to include natural resources—using a greener measure of wealth will improve both economic and environmental policy-making. The Bank calls for increasing the application of greener accounts that can serve as indicators of the economic benefits of reducing environmental damage and the costs of depletion. In addition, the World Bank, together with the Earth Council and other concerned agencies, urges the rapid phase-out of subsidies on natural resource consumption. The Bank estimates that subsidies on fossil fuels have dropped by 50 percent since 1992, but still stand at \$58 billion. The Earth Council has estimated that total subsidies still amount to \$800 billion, including \$45 billion on water, \$150 billion on transport, and \$2 billion on pesticides. These subsidies rarely benefit the poor and invariably harm the environment.

-###-

U.S. Seeks Delay of Loan To Croatia

Showing Displeasure At Violation of Pact

By STEVEN LEE MYERS

WASHINGTON, June 24 — Signaling mounting frustration with President Franjo Tudjman of Croatia, the Clinton Administration said today that the United States would try to block the World Bank from considering a \$30 million loan for Croatia.

But the Administration stopped short of opposing the loan outright, despite expressing anger over recent actions by Mr. Tudjman. And it appeared to be having difficulty winning support from other members of the World Bank's governing body to postpone the loan for long.

The decision to seek a delay came amid growing sentiment in Congress that President Clinton has not done enough to punish the leaders of Croatia and Serbia and of ethnic factions in Bosnia for not carrying out their promises under the Dayton accords. Officials said that a delay would put pressure on Mr. Tudjman to turn over Croats indicted on war crimes charges and to allow Serbian refugees to return to their homes in Croatian territory.

The World Bank's executive directors had been scheduled to consider the loan today at a meeting at the bank's headquarters here, but the American director, Jan Piercy, used her powers to seek a delay until Thursday.

Even within the Administration there appeared to be divisions, with the State Department pushing for a longer delay and the Treasury Department resisting, said Administration officials who spoke on condition of anonymity.

A spokesman for the State Department, John R. Dinger, said today that the United States would seek to win broader support for an unspecified delay before the bank's directors meet again.

He and other Administration officials said they wanted to express dissatisfaction with Mr. Tudjman's failure to comply with the peace accords negotiated in Dayton, Ohio in 1995 to end the Balkan fighting.

"We're not putting any end date on this delay," Mr. Dinger said. "We would like to continue to monitor Croatia's performance during this delay."

As part of a larger bill on foreign affairs spending, the Senate's Committee on Appropriations today approved legislation that would cut off all aid to countries that did not do more to capture war criminals in territories under their control.

The Administration has strongly opposed the measure, even though Secretary of State Madeleine K. Albright has repeatedly warned Croatia and Serbia that they would face economic punishment if they did not do more to comply with the peace accords. Officials have said such language would limit the Administration's flexibility.

But Senator Mitch McConnell of Kentucky, the Republican chairman of the subcommittee that produced the legislation, noted that Ms. Albright had spoken sternly to Mr. Tudjman when she visited Zagreb last month, only to have the United States later support a \$13 million loan by a World Bank's affiliate, the International Finance Corporation.

"What I'm trying to do is reflect what I thought the tough-talking Secretary of State meant when she was there," he said.

In a decision that was largely symbolic, the House tonight voted to cut off funds for American ground troops in Bosnia after June 30, 1998. The Senate is unlikely to follow suit.

The House vote, 278 to 148, approved an amendment to the Pentagon's \$268 billion budget bill for the fiscal year that begins Oct. 1. Lawmakers defeated another amendment, 231 to 196, that would have required the American withdrawal from Bosnia by Dec. 31 of this year.

President Clinton has said United States troops would withdraw from Bosnia by June 1998, but his aides say he will veto any bill that binds the Administration to a specific date.

The Administration argues that such a restriction would hamper the flexibility of ground commanders, undermine the Bosnian peace accord and damage American credibility with its European allies.

There are 8,000 American troops among the 31,000 NATO soldiers now enforcing the peace accord in Bosnia. An additional 2,900 American troops are stationed in Italy, Hungary and Croatia to support the operation.

Proponents of the measure sought to pin down Mr. Clinton, who after last November's elections extended the United States mission in Bosnia by 18 months, to June 1998.

"The remaining tasks — the civilian, humanitarian and political reconstruction of Bosnia — are beyond the capabilities of our troops, unless we are prepared to remain in Bosnia for decades," said Representative Floyd Spence, a South Carolina Republican who heads the House National Security Committee.

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**PRESIDENT OF THE WORLD BANK ADDRESSES NINETEENTH
SPECIAL SESSION OF THE GENERAL ASSEMBLY**

UN 194487C

United Nations, New York
ED 73

25 June 1997

The General Assembly holds a special session (Earth Summit+5) on 23 - 27 June for the overall review and appraisal of the implementation of Agenda 21 since the 1992 Earth Summit.

James D. WOLFHENSOHN, President of the World Bank,
addressing the nineteenth special session of the General Assembly.

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UNCLASS

WORLD BANK
PRESS CONFERENCE

JUNE 25, 1997

Andrew: Good morning. Greetings. I have the pleasure in welcoming this morning, Mr. James Wolfeson, President of the World Bank. He is well known to you for his openness to the media, and also for this role in revitalizing the humanitarian approach to World Bank activities. Human development, and his involvement with the United Nations.

Audience: Can you speak louder please. We can't hear you.

Andrew: Is the microphone working?

Audience: No.

Andrew: I thought the microphone was working. Anyway, it's my pleasure to introduce to you, Mr. James. Wolfeson, President of the World Bank. He will say a few words, and then we'll open for questions.

James: Thank you very much. I have distributed, or there is being distributed a copy of my short remarks that I'll give later. And as is characteristic of the Bank, we're giving you lots of other publications in case you need them, and background on every subject that is here. Let me briefly say that in my remarks later on I will be, of course, expressing

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the concern which most people have expressed about the lack of progress since Rio. But pointing to the fact that on the ground I believe we are seeing some real progress in a number of the countries in which we're operating. In fact it's there that you get a sense of hope, rather than at major international meetings. I'll be announcing five areas that I want to concentrate on. The first relates to climate change. And there to the prospect of what I call joint implementation of targeting of carbon emissions. Where if Kyoto decides that there are to be some targets, we would look forward to establishing a facility which would allow us to have supplemental carbon savings made in developing countries with a sharing of the benefits. This is an important development. One that we've now discussed with a number of Par II countries. Here, and in the weeks prior to this conference. And the basic idea is that if it costs you 70 to 100 dollars to save a ton of carbon in the developed world, then it costs you 10 to 20 in the developing world...if you could take some, not all, but some of those carbon savings, and use them in developing countries, and split the benefits, that that would be advantageous. And it seems to have struck a chord in terms of the Par II

countries.

The second area that we're looking at is the area of bio-divesting forests. And touching on the subject which I think is central to many people. And that is that there are a lot of people in the world who would like to see more rational and environmentally sensible markets. That is true in the marine product area. It's true in the forest area, where I think we, together with partners in industry and in NGOs and in government, can come together and set up programs away from the noise of major international meetings, and try to set up targets that are achievable. And I'm extremely happy to announce today that we've agreed with World Wildlife Fund for alliance on forest

countries.

The second area that we're looking at is the area of bio-divesting forests. And touching on the subject which I think is central to many people. And that is that there are a lot of people in the world who would like to see more rational and environmentally sensible markets. That is true in the marine product area. It's true in the forest area, where I think we, together with partners in industry and in NGOs and in government, can come together and set up programs away from the noise of major international meetings, and try to set up targets that are achievable. And I'm extremely happy to announce today that we've agreed with World Wildlife Fund for alliance on forest conservation. I'm happy that Claude Martin, who is the Director General of World Wildlife Fund International is here, and Catherine Fuller, who is President of World Wildlife Fund in the U.S. Briefly there what we're looking to do is to set up a network of protected areas in both developing and developed countries, which would include at least 10% of each of the world's major forest types by the year 2000. And the second aspect is that large areas of natural forest in developing countries and

transitional economies should be brought up under real sustainable management. And here we're talking about taking a negligible area today and turning it into 100 million hectare's of temperate and colder Northern forests, and a 100 million hectare's of tropical forests by the year 2005. And this is not a pie in the sky objective. This is something which we've worked on. We have great respect for what WWF has in terms of forests. Many more than we do. A broad experience, we're also cooperating with other institutions, other NGOs in trying to bring this about. And it's an initiative about which we're very excited.

And the third relates to ozone depletion. We've commented on that before on CFCs. I'll be mentioning that we believe that we've put into place a financing that will allow us to deal with about 50% of the CFC excesses in Russia. Which is a major step forward. And something that I am delighted about.

The fourth area I'll be commenting on is decertification. Having been now to over 50 countries, I'm very well aware that this historical trend is really biting in terms of poverty. It's

quite obvious to anyone who travels in the developing world to see just what decertification is doing in Africa and some parts of Asia. I know that this is something that has caused some discussion as to where the source of funding is. We, as you know, have put close to 10 billion dollars into this since 1990. I want to announce a major additional strategy on decertification, and say that we're ready to stand behind the decertification efforts that companies might want to put to us as part of our new rural strategy.

And, finally, in terms of the five initiatives, I want to recommit on the global water partnership. There is nothing more important than water as an instrument for growth, or indeed as a resource that we have to protect. We're committed to make that work, and we've outlined some of the things that we're prepared to do on water in the background documents. I also make a plea for GEF. We think the GEF has done very well. As you know there is a need for replenishment. We're anxious to see it replenished because we think it is working. It gets a lot of leverage in terms of the money that comes from GEF. And is, in fact, one of the instruments which has actually proved itself in the last years.

Finally, in terms of internal organization, we will be consolidating the supervision of all our environmental activities across the group IFC and MEEGA. And secondly in terms of monitoring, we're going to have central monitoring. And we'll be making an announcement about that very shortly. So those are the things that I briefly will be covering in my seven minutes. Yes, sir.

Question: What do you see as the minimum replenishment for the GEF, and your likelihood of getting that this week?

James: What I would like to do...you know it was 2 billion originally. We're about 1/2 billion unspent, still. GEF I is not yet completed. We would like to see another 2 billion plus a make-up of the 1/2 billion which we now have. So we'd get to 2 1/2 billion. But whether that is achievable, you better ask a lot of the people that are running around here. Certainly we are very anxious to see that happen.

Question: Oscar Mennan, International Documents Review. What progress have you made towards dealing with the debt of the poorest countries?

James: We've made a lot. The debt issue is not the subject here. But broadly in the last 18 months we've put together the HICI initiative, which is the Highly Indebted Country Initiative. That's now going with

four countries. We've got twenty countries under review. It is off and running. The international financial institutions are included. That was not true 18 months ago. So there has really been a major turnaround. I think we will have Uganda done very soon. We've got three other African countries, and Bolivia we're looking at. And a series of countries following that. And we've managed to pull together bilateral donors, and some of the Eastern, some of the Russian lenders to try and bring about what I think is good progress. I met with President "Museveni" just yesterday.

Question: The time frame for returning the overall debt?

James: Well it varies country by country. But in the case of Uganda it will be within 12 months.

Question: Richard Black, from BBC World Service. In terms of meeting this goal of protecting 10% of forests, what can the World Bank actually do? What practical measures can you actually take?

James: Well we can, A, put up money. Secondly we will work with WWF, and our partners in the NGOs and in the industrial community. And thirdly what we can do is try and get the forestry companies together so that in terms of utilization of forests we can have a rational approach to forest management. There are people out there that would like to see forests

properly managed, and are prepared to pay for timber that comes from properly managed forests. We've also been able to work in forests. And I know WWF has done a lot of work on this, to make people recognize that forests are not there just to be cut down, that they are in fact a strong economic resource. And this is the thing that I think is happening. You can't stop people cutting down trees if they think that is their only way of heating themselves. But if you can convince them that the forest is, in fact their resource. Which I have now seen in many, many countries. And my colleagues at WWF, probably more. I think this is the place that we can win this battle. And perhaps afterwards you can talk to my friends at WWF. But I think from their nods they agree. Is that right or not? Yeah. On the ground you can win this battle. With women, particularly actually.

Question:

I was wondering if you could comment on the intransigents of states. For examples, the U.S. has not ratified the Bio-Diversity Convention. Canada, for example, signs and ratifies but does not enact the necessary legislation to insure compliance. Citizens cannot...there is no opportunity for citizens to go to an international court of compliance, for example, to report and monitor. How

does this hinder the work that you're doing?

James: Well it hinders it very much. But they're my shareholders.

(Laughter)

Question: Are you advocating that at this conference we have a strong move toward calling upon states to sign and ratify and enact the necessary legislation. Would you advocate that?

James: Well as a private citizen I'm anxious that there should be clear targets. As President of the World Bank I'm not able to say that. Because you've got to understand that I am in a difficult position as the President of the Bank. My shareholders are the same people who are voting here. So they have to make up their mind what they want to do. But in terms of achieving objectives that I want to see for the Bank, it's quite clear to me that if you have targets and they're enforceable it gives us all a much greater chance of making things effective. That's quite clear to everybody. But the decision has to be taken here. And I can't influence that, unfortunately.

Question: John Rudolph from Living On Earth of National Public Radio. What kind of assurances can you give that the private capital that is leveraged by these various programs will be used for sustainable

development, that the current patterns of development will not continue with private capital?

James: Well, I tell you, I am very much encouraged by the reaction of the private sector. We had at the Board, just two weeks ago, a bunch of chief executives from around the world talking about social responsibility and environmental responsibility. I think that there is a growing awareness in the private sector that environmental and social responsibility is good business. A growing experience. I don't say it's complete, it obviously isn't. But I think it's growing. And one of the things that we're trying to do in what we rather pompously call "Market Transformation Initiatives." I don't really want to call it that. It's his idea.

(Laughter)

But I would say what we're trying to do is to get corporations together with NGOs and ourselves and say, "Listen, we can't force you to do anything, but if you want to live in an economy which is peaceful, and which generally has some basic stability, then you better be conscious of social issues and environmental issues. I mean just straightforwardly. Don't appeal to their ethical standards or their moral standards. Just appeal to

the self-interest. And I think that you can justify it on the basis of ethical and moral standards. But I think if you bring in the reality that it's just quite obvious that unless you have sustainability you're not going to have long term economic framework in which you can operate. I think it's starting to work. And I tell you, my own personal experience thus far is that I'm getting a lot more response from corporations in terms of their willingness to adopt it than I am in the case of some governments.

Question: Can you please name the names of these CEOs that you met with at this conference two weeks ago? Can you name the corporations?

James: I would be glad to get them from you. One was from British Petroleum. One of them was from Panama. I'll get you the names, ma'am. I don't remember to be honest with you. Someone from South Africa. We had them from a dozen different countries around the world.

Question: Can we call your office?

James: You can get them from Andrew later.

Question: Can you give us the names of the NX II countries that are interested in joint implementation? And secondly, could you elaborate on the CFCs in Russia a little bit.

James:

Yeah. Let me deal with the second first. The CFCs in Russia looks like it's a cost of 27 million dollars to get rid of the excess CFCs. And we've raised about 15 million already. And the Russians are ready to work in terms of getting rid of the CFS, so long as we can do the financing. That's about 48% of the CFCs. The rest are in other countries, and then we can start to work on that. But the interesting thing is that it's financially doable. This is not pie in the sky. This is stuff we can do now. We're putting in 6 million, and we've raised another 8 or 9 million. And I'm absolutely confident that we can get to the amount that's required. The second thing is...I don't think it would be fair to quote the countries yet because we're in the process of going round them. But we met yesterday with a dozen countries at lunch. We have actually visited around. This is a sensitive area prior to Kyoto, as you no doubt are aware. But what I don't want to do is put my chin out and then get knocked out by people who say this is a lousy idea. And the thing that is differentiating, if I can tell you, is the sharing of the benefit. If this were a thing where you just dump carbon emissions on to Par II countries, it's clearly a non-starter. But what is a starter is

that if you can, on a global basis, look at carbon emissions, and split the benefits, and some of this, by the way, is already being done in Costa Rica on a voluntary basis, as you know, in forests. If you can split the benefits then there is a real benefit to countries if we can put it up on the basis that you're not dumping developed country problems on to developing countries. And that's something that obviously none of us want to do. So we're talking about a significant measure of reduction in the OECD countries, or the developed countries, which they must mandatorily do. Then there is a portion which can be done on the basis of this sharing of benefits. And that seems to be something that can work. And the idea of a carbon fund is good because where it is done on a bilateral basis now, the cost of doing it, something of the order of 15% to 20% of the savings that you make, and that's just too great. Whereas if you have a carbon fund and you can do it efficiently. And you can measure the benefits, and you can deliver a package, you can get the cost down to under 5%. And so it's really worth doing. I'm serving notice of this, it will be dependent on Kyoto. This will be a major initiative. And I think you're going to get private sector into this

significantly. It makes sense, that's the beauty of it.

Question: Don Hendrickson, El Mundo. You mentioned earlier that the GEF still has unspent about 500 million dollars. Can you comment on why that is? Is that an institutional problem? Is it something else? Is there another reason for it?

James: It's arrears in payments. It's a familiar sound around here, even at the World Bank.

(Laughter)

Question: Associated Press TV. This is a bit of a diversion, but can you comment on a report in today's Times that the United States would try to block the World Bank from considering a 30 million dollar loan to Croatia?

James: You want me to comment?

Question: Could you comment on that?

James: All I know is...I was in Canada yesterday, and all I know is that it's been delayed till tomorrow. It was to be considered at the Board Meeting. And the Americans have used their right to delay it for consideration at tomorrow morning's Board Meeting. I'm going back there...

Question: Are you optimistic that it will go through?

James: I have no idea. My guess is that it probably will, but I don't know. I mean the situation in Bosnia

and the region, as you know, is very, very tense in terms of the spending of funds for development. And it has become not just a development issue but a political issue. And I will find out the extent of the politics tomorrow when I go to the Board.

Question:

Cheryl Hogue with Daily Environment Report. Last week some NGOs put out a report saying that Bank was subsidizing some global warming problems because of the projects that have been funded since the Earth Summit. I don't know if you have comments on that.

James:

I do. I have no doubt that some of the projects that we've done, on the analysis of NGOs, have been detrimental to carbon emissions. We believe, first of all, that in terms of power projects, we do about 3% of the power projects in the world. And in the last 10 years in terms of our lending, about 3% of our lending has been on power projects. Secondly what we're doing now in every one of our projects is to try to make them carbon clean. And we're working now from India...I mean where there are countries that have basic coal reserves which they're trying to use, in all of the projects in which we're operating, we are seeking to try to make them environmentally clean. And I've just been to India, and talked to the government about clean-

up. And I guess our position is that if we can be in there trying to clean-up the environment and work with them, there's a better chance of getting clean projects than if we're not there. Because these projects are going ahead. So we're sticking with it, and trying to use all of the influence that we can to try to clean up the carbon emissions in all of the projects that we're doing. But we're not going out there with the purpose of trying to pollute the world.

Question: Nick Hern with The Times of London. Just getting back to the CFC thing and my ignorance. The money's going to be spent in Russia to tackle this problem, but where will the money actually go? Will it go to shutting down factories that are actually making it?

James: To transform it. It's a phase out of all the CFC production, is what it is.

Question: I was just wondering, what's the Bank going to do to make sure that all parts of the group apply the same environmental standards that the World Bank itself designs? That's the first part of the question. The second part, what guarantees are there going to be in the future if problems are detected in projects of an environmental nature that the criteria...public accountability and

transparency will come ahead of the requirements, say, of a business or a private sector, which would not like that information published?

James: Well the first thing is that we will, within a very short time, announce that we are going to have a central body in the bank, which will apply the same standards across the group. From your question I'm sure you understand that the difficulties inside the institution has been that we've had the Bank IFC and MEEGA operating under somewhat different, both histories and standards. And I've taken the view that there is one set of standards. So we will be applying a uniform set of standards around the group. That's the first thing.

Question: When will that happen?

James: Within a very few weeks. I've got to get it through the Board. But I think I can probably do that. The second thing that I will be doing is that I will be having...let me put it this way...I will be recommending this to the Board is a better way for me to put it. I might keep my job another few weeks. I'll be recommending this to the Board. The second thing that I'll be doing is that I'll be recommending that there is a supervisory group within the Bank which is independent, and which reports to me directly, and which will be led by

somebody of impeccable standing and independence. And if you like, that is like an EPA. It's sort of an internal EPA to make sure that the thing works. And my desire there is to insure that in terms of ongoing management...instead of letting a thing go five years and run into a problem, my greater desire is to make sure that week-to-week, or month-to-month, we're managing the thing. I'm less concerned about a court case than I am about getting it right as we go through. And the third issue, which is still not yet resolved, but we're getting closer to, is the whole question of the, what the hell do we call this...the Inspection Panel, and whether its authority goes on the same terms across corporate activities as it does on general activities. And that is still, I must say, a sticking point. I think we've gotten very close on just about everything except commercially sensitive information. And I think we can probably distinguish commercially sensitive information, but still have the same set of standards on environmental standards. So that's what I'm heading for. And I think we're pretty close now. It's been a very difficult exercise. But I think we're nearly there. And I hope to be able to announce that very shortly.

Question: The Boston Globe. Can you give us a sense of the size of the black market in CFCs in, say, the United States, and Europe, and how quickly you think that your program will start to really cut into that market. Is there a sense that the market production may just shift to other development countries? It may just go to Brazil and push up the price of CFCs?

James: My guess is that within two years we can phase it out completely. I don't know whether Andrew Steer, who knows these things much better than I do...do you know how big the market is now?

Andrew: It's a major threat. I can't give you dollar numbers. Our concern is that throughout the countries that we're working on, through the Montreal Protocol, we're seeing sort of the undermining of the good intentions because cheaper CFCs are being smuggled through the black market. This initiative could phase out totally CFC production in the seven plants that exist within Russia. And that could be done within 18 months to 2 years.

Question: Are you going to lend the financing for poverty problems?

James: Well everything we do, at least everything that I think we do is designed with the central thrust to

poverty reduction. The interesting thing, of course is, at this meeting, is that poverty reduction and environment are twins. These two things are absolutely interlinked. And it's very hard to conceive of environmental sustainability unless you can attack poverty. And the reverse is true. I believe what we're talking about today with a focus on environment is also a focus on poverty. As far as the bank is concerned, I think you will have seen, particularly in the last couple of years, that the central focus that we're trying to get to is to try to get down to the grass roots level, to try to listen, to try to reach out to social groups, to NGOs and to communities, to try to come up with solutions that deal with on the ground poverty, and not the big show projects. Really get down into the poverty areas. And I think that we're getting..I'm not suggesting that everybody thinks that we're brilliant yet. But I think there is a little more awareness that maybe we are more understanding than people thought we were. And as far as I'm concerned that's what we're trying to do.

Question: You mentioned briefly the global water partnership. Could you just briefly give us a run down on what that involves?

James: Andrew's a great expert on this. Why don't you take that.

Andrew: What has happened until recently is that there are many, many water initiatives. The Global Water Partnership was established about 18 months ago. It's a grouping of a number of agencies, including The World Bank, UNDP, a number of bilateral agencies, UNEP. It's actually hosted by the Swedish government at the moment. The purpose of it is to make the whole greater than the sum of the parts. And to identify whether our strategic needs for financing, and to help raise that financing. Not necessarily create a new pool of money, but rather to identify where the money is needed, coordinate that money. And there are some...I'd love to talk to you afterwards about some really interesting examples of ways it's beginning to work.

James: Could I just say that for those of you that are here, Claude Martin and Catherine Fuller from WWF are here, and if you wanted to see them, you might want to stand up so they can see you. They are from World Wildlife Fund. If you want to talk to them they're around. Thank you very much.

(END OF PRESS CONFERENCE)

MR. JAMES D. WOLFENSOHN

United Nations General Assembly Special Session
on Agenda 21 (UNGASS)

(Earth Summit + 5)

June 25, 1997

United Nations, New York

*Temperature to increase
1-3.5°C Celsius
Sea + 15-45 cm
by 2010*

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*Barbados
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- Dams
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③ Renewable Energy
20% funding
\$600 mil p.a. + 150 GEF

*Forest
wind
Bromans*

MR. JAMES D. WOLFENSOHN
United Nations General Assembly Special Session
on Agenda 21 (UNGASS)
(Earth Summit + 5)
June 25, 1997
United Nations, New York

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Other Earth Summit + 5 Information

***SPECIAL SESSION of the UNITED NATIONS GENERAL ASSEMBLY
on the REVIEW of IMPLEMENTATION of AGENDA 21 (UNGASS)***

Mr. James D. Wolfensohn Visit

June 25, 1997

I. TIMETABLE

Morning Program

- 09:30 Arrive at World Bank Office, New York City, at 809 U.N. Plaza, Suite 900. Alfredo Sfeir-Younis, WB Special Representative to the UN, will be waiting for you at the front door of the building.
- 09:30-10:00 Briefing by Mr. Maurice Strong on UN reforms and implications for the Bank. Participants: Andrew Steer, Alfredo Sfeir-Younis
- 10:00-10:15 Discussion to prepare for the Press Conference. Participants: Andrew Steer, Alfredo Sfeir-Younis, Samuel Rachlin
- 10:15-10:30 Walk to the Press Room with Alfredo Sfeir-Younis.
- 10:30-11:00 Press Conference at the UN Press Briefing Room.
- 11:00-12:15 Attend the General Assembly Special Session. General Assembly Hall.
- 12:15- Address to the General Assembly. You are the last speaker of the morning.

Afternoon Program

- 13:00-15:00 Lunch hosted by Kofi Annan, UN Secretary General. Heads of State and other dignitaries are invited. UN Delegates' Lounge.
- 15:15-15:45 Meeting Mr. James Purcell, Head, International Office of Migration (IOM). World Bank Office: 809 UN Plaza, Suite 900.
- 16:00 End UNGASS Program

II. LOGISTICS

- The Press Conference will commence at 10:30 sharp, as there is another briefing at 11:00
- Your Presentation. We recommend you make a short statement (5 minutes) focusing mainly on the key points you intend to make in your presentation to the General Assembly.
- Questions and Answer Session: to follow the Press Conference (approx. 25 minutes).
- Once the Press Conference is over, Alfredo Sfeir-Younis will accompany you to the General Assembly Hall where you will have the opportunity to listen to a few statements before your turn comes up.

UNITED NATIONS ROSTER OF SPEAKERS*

WEDNESDAY, JUNE 25, 1997

Morning

Cyprus (HS)
Antigua and Barbuda (HG)
Marshall Islands (HS)
Saint Lucia (HG)
Fiji (HS)
Venezuela (M)
Madagascar (M)
Niger (M)
Islamic Republic of Iran (M)
Trinidad and Tobago (M)
Lao People's Democratic Republic (M)
Morocco (M)
Tunisia (M)
Lesotho (M)
Malta (M)
Austria (M)
Israel (M)
Bahamas (M)
Finland (M)
UNCTAD
UNESCO
An NGO**
World Bank (James Wolfensohn)

Afternoon

Hungary (HS)
Comoros (HS)
Republic of Moldova (HG)
Bulgaria (HS)
Malawi (VP)
Swaziland (M)
Solomon Islands (M)
Viet Nam (M)
Sri Lanka (M)
Mauritius (M)
Chile (M)
Oman (M)
Burkina Faso (M)
Paraguay (M)
Haiti (M)
Mongolia (M)
Yemen (PR)
Ethiopia (PR)
Jordan (PR)
UNEPA
An NGO**

- * HG = Head of Government
HS = Head of State
M = Minister
PR =
VP = Vice President

** To be identified

SPEECH & SPEECH BACKGROUND INFORMATION

*Short
Version*

James D. Wolfensohn
Remarks to the United Nations Special Session
June 25th 1997
TOWARDS GLOBAL SUSTAINABILITY

INTRODUCTION

1. Mr. President, Mr. Secretary-General, Distinguished Heads of State, National Delegates, and colleagues from the U.N. system.
2. Five years ago in Rio, governments from around the world came together and committed themselves to a more equitable and sustainable world.
3. Five year later the picture is very mixed. As an institution dedicated to reducing poverty, we at the Bank are more aware than ever of the continuing link between the degrading environment and the poverty still afflicting so many of the world's people. [Less than a quarter of the world's people consume three-quarters of its raw materials, while 3 billion people still live on less than \$2 a day.]
4. At the national level, we have seen a highly positive shift toward environmental with a third of our client countries showing real progress in implementing the Rio Principles.
5. But a huge and pressing global environmental agenda threatens to derail efforts to reduce poverty and meet basic human needs.
6. The GEF has become an effective financing mechanism for global challenges. It must be replenished generously this year. The World Bank, as an implementing agency for the GEF and Montreal Protocol and in its own lending portfolio, has worked to help countries fulfill their global commitments, but is committed to doing more, as I believe we all must. Today I will outline a plan of action in 5 areas where I believe the Bank - working in partnership with many of you here - can make a real difference.

CLIMATE CHANGE

First on Climate Change.

7. Continued global warming is in nobody's interest but the simple facts of the matter are that the developing countries will suffer the most damage, and their poor will be at an even greater disadvantage. I see the Bank's role in Climate Change as providing every opportunity to developing countries to benefit from the huge investment the OECD must make in reducing climate change.

8. Progress has clearly been inadequate. Only 3 of the OECD countries are likely to reach their non-binding commitments under the Convention for the year 2000. It is essential that at the Kyoto meeting later this year industrial countries make a strong commitment to significantly reduce greenhouse gas emissions -- and that these commitments be implemented.

9. I believe that progress would be facilitated if "carbon offset" trading were permitted under the Convention. I recognize that this is a sensitive issue, but I believe the gains for both the global environment and our client countries could be substantial. By 2010, tens of billion of dollars could be at stake annually in offsetting carbon emissions and the benefits of these expenditures shall be shared between OECD countries and our clients to facilitate expanded development financing and technology transfer. It must also result in larger commitments to reduce emissions in industrial countries.

10. To help make those gains a reality, the World Bank would be willing to launch a Carbon Offset Fund, should Parties to the Convention find this helpful.

11. In addition, to promote renewable energy, we are exploring a broader strategic partnership with the GEF and other financiers that would move towards a large-scale program of renewable energy investment.

BIODIVERSITY

12. Second, on biodiversity; we simply won't succeed unless environmental values can be reflected in the marketplace.

13. With this in mind, the Bank is seeking to establish "Market Transformation Initiatives" in forest products and marine industries. These initiatives, which are strategic partnerships between the private sector, governments, NGOs and development financiers, will establish markets for sustainably produced products.

14. As a first step, I am inviting the CEOs of some of the leading forest products companies and conservation organizations to join us in this effort.

15. I am also pleased to announce a partnership between the Bank and WWF to help arrest the loss of forests globally. We are committed to work together, and with others, to establish by year 2000 a representative network of protected areas amounting to at least 10% of each of the world's forest types. And, in Bank client countries we will help bring an additional 50 million hectares of forest ecosystems under strict conservation, and to bring under genuinely sustainable management with independent certification an additional 200 million hectares of tropical, temperate and boreal forests, by the year 2005.

OZONE DEPLETION

16. Third, let me turn to ozone depletion - the major bright spot in dealing with global environmental issues - but even here, much more needs to be done.

17. A major remaining challenge is to eliminate CFC production in Russia. This accounts for nearly half of remaining CFC production world wide and, through illegal smuggling to other countries, is threatening to undermine the effectiveness of the Montreal Protocol.

18. The Bank, in collaboration with the Russian CFC producers and government, has developed a program to eliminate CFC production in Russia by 2000.

19. We now need to complete the necessary fund raising, and we seek your support in this critical endeavor.

DESERTIFICATION

20. Fourth, addressing desertification is essential for poverty reduction and food security in developing countries.

21. The Bank is already the largest financier of drylands investment, but we can and must do more.

22. We have embarked upon a revitalized Rural Strategy -- in which the links between poverty and land degradation are given special emphasis. We are helping introduce improved agricultural techniques to stem the spread of further desertification, and will help restore degraded land.

23. We offer to assist the Desertification Convention -- in partnership with others -- in establishing mechanisms for mobilizing financing, and coordinating implementation.

WATER

24. Fifth, the water crisis. Twenty countries now are water scarce or stressed, and the number will double by 2020.

25. Developing countries will need to invest about US \$600 billion over the next decade on water. The Bank expects to lend about US \$35 billion during this period, following the Dublin principles.

26. The Global Water Partnership offers an opportunity to solve water issues in a more holistic way, and raise additional financial resources. We are committed to

make this work, and to continue working in partnership on the Regional Seas Programs.

CONCLUSION

27. In all these areas, the World Bank will work in partnerships with others.

28. We will expand our work with the private sector to promote practical business opportunities for sustainable development.

29. We will also promote higher standards of environmental and social performance for private and public investments around the world. As an example, with the World Conservation Union, we are launching an International Advisory Commission on Large Dams to help raise standards for all large dams.

30. I recognize that we must work harder to make absolutely sure that our own house is in order.

31. With this in mind I would like to inform you of 2 important changes in our own organization.

- First, we will be consolidating our environmental and social activities across the entire World Bank Group including IFC and MIGA. With our private sector operations assuming greater prominence, it is vital that all of our activities have the same high standards.
- Second, we will be establishing a stronger system of compliance monitoring within our own operations. Details will be announced in the near future.

32. Mr. President, Mr. Secretary-General, Distinguished Heads of State and colleagues, the growing global problems of climate change, biodiversity, forest loss, desertification and water are seriously threatening the long-term development of many of our client countries - with the poor paying the highest price.

33. These are not fringe activities. They are central to meeting human needs and reducing poverty. I wholeheartedly commit the Bank to doing all it can to forge a global partnership to promote equitable approaches to global environmental issues. And to do it quickly. Time is not on our side. This agenda can afford to wait.

*Long
Version*

James D. Wolfensohn
Remarks to the United Nations Special Session
June 25th 1997
TOWARDS GLOBAL SUSTAINABILITY

INTRODUCTION

1. Mr. President, Mr. Secretary-General. Distinguished Heads of State, National Delegates, and colleagues from the U.N. system.
2. Five years ago in Rio, governments from around the world came together and committed themselves to a more equitable and sustainable world.
3. Five years later the picture is very mixed. As an institution dedicated to reducing poverty, we at the Bank are more aware than ever of the continuing link between the degrading environment and the poverty still afflicting so many of the world's people. Less than a quarter of the world's people consume three-quarters of its raw materials, while 3 billion people still live on less than \$2 a day.
4. At the national level, we have seen a highly positive shift toward environmental responsibility in the attitudes of some of the policy makers with whom we interact. Perhaps a third of our client countries are showing real progress on the ground in implementing the Rio Principles.
5. But there remains a huge and pressing global environmental agenda which threatens to derail efforts to reduce poverty and meet basic human needs. It is almost a truism to say not enough has been done.
6. The GEF has become an effective financing mechanism for global challenges. It must be replenished generously this year. The World Bank, as an implementing agency for the GEF and Montreal Protocol and in its own lending portfolio, has worked to help countries fulfill their global commitments, but is committed to doing more, as I believe we all must. Today I will outline a plan of action in 5 areas where I believe the Bank - working in partnership with many of you here - can make a real difference.

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Change as providing every opportunity to developing countries to benefit from the huge investment the OECD must make in reducing climate change.

8. Progress to date has clearly been inadequate. Today, only 3 of the OECD countries are likely to reach their non-binding commitments under the Convention for the year 2000. It is essential that at the Kyoto meeting later this year industrial countries make a strong commitment to significantly reduce greenhouse gas emissions -- and that these commitments be implemented.

9. I believe that progress would be facilitated if "carbon offset" trading were permitted under the Convention. I recognize that this is a sensitive issue, but I believe the gains for both the global environment and our client countries could be substantial. By 2010, tens of billion of dollars could be at stake annually in offsetting carbon emissions and the benefits of these expenditures shall be shared between OECD countries and our clients to facilitate expanded development financing and technology transfer. It must also result in larger commitments to reduce emissions in industrial countries.

10. To help make those gains a reality, the World Bank would be willing to launch a Carbon Offset Fund, should Parties to the Convention find this helpful.

11. But reaching international agreements is only part of the answer. As individual players we also need to do a lot more.

12. To promote renewable energy, we are exploring a broader strategic partnership with the GEF and other financiers that would move towards a large-scale program of renewable energy investment.

BIODIVERSITY

13. Second, on biodiversity; here we simply won't succeed unless environmental and social values can be reflected in the marketplace.

14. With this in mind, the Bank is seeking to establish "Market Transformation Initiatives" in forest products and marine industries. These initiatives, which are strategic partnerships between the private sector, governments, NGOs and development financiers, will establish markets for environmentally and socially sustainably produced products.

15. As a first step, I am inviting the CEOs of some of the leading forest products companies and conservation organizations to join us in this effort.

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amounting to at least 10% of each of the world's forest types. In addition, in Bank client countries we are joining forces to help bring under strict conservation an additional 50 million hectares of forest ecosystems, and to bring under genuinely sustainable management with independent certification an additional 200 million hectares of tropical, temperate and boreal forests, by the year 2005.

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19. The Bank, in collaboration with the Russian CFC producers and government, has developed a program to eliminate CFC production in Russia by 2000.

20. We now need to complete the necessary fund raising, and we seek your support in this critical endeavor.

DESERTIFICATION

21. Fourth, addressing desertification is essential for poverty reduction and food security in developing countries. Today, over 40 percent of the total land area of the world has been degraded -- affecting hundreds of millions of people in about 100 countries.

22. The Desertification Convention was ratified last year -- and must now be implemented. We stand ready to do our part.

23. The Bank is already the largest financier of drylands investment, but we can and must do more.

24. We have embarked upon a revitalized Rural Strategy -- in which the links between poverty and land degradation are given special emphasis. We will be actively seeking client countries in need of our financing for this purpose. We will help introduce improved agricultural techniques to stem the spread of further desertification, and will help restore degraded land.

25. We offer to assist the Desertification Convention -- in partnership with others -- in establishing mechanisms for mobilizing financing, and coordinating implementation.

WATER

26. Fifth, the availability and quality of water is reaching crisis levels in many regions. Twenty countries now are water scarce or stressed, and the number will double by 2020.

27. Developing countries will need to invest about US \$600 billion over the next decade on water. The Bank expects to lend about US \$35 billion during this period, following the Dublin principles.

28. The creation of the Global Water Partnership last year offers an opportunity to reduce segmentation and raise additional resources. We are committed to make this work. And to continue working in partnership on the Regional Seas Programs.

CONCLUSION

29. In all these areas, the World Bank will work in partnerships with others. We are already working closely with NGOs and scientific groups, as well as with our client governments.

30. We will expand our work with the private sector in order to promote practical business opportunities for sustainable development.

31. We will also be seeking to promote higher standards of environmental and social performance for private and public investments around the world. As an example, with the World Conservation Union, we are launching an International Advisory Commission on Large Dams to help raise standards for all large dams.

32. To assure this wider role, I recognize that we must work harder to make absolutely sure that our own house is in order.

33. With this in mind I would like to inform you of 2 important changes in our own organization.

- First, we will be consolidating our environmental and social activities across the entire World Bank Group including IFC and MIGA. With our private sector operations assuming greater prominence, it is vital that all of our activities have the same high standards.
- Second, we will be establishing a stronger system of compliance monitoring within our own operations. Details will be announced in the near future.

34. Mr. President, Mr. Secretary-General, Distinguished Heads of State and colleagues, the growing global problems of climate change, biodiversity, forest loss, desertification and water are seriously threatening the long-term

development of many of our client countries - with the poor paying the highest price.

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GEF Replenishment

President's Briefing Note

WORLD BANK AND THE ENVIRONMENT

At Rio, Governments recognized the Global Environment Facility as an important financial mechanism for achieving global environmental benefits provided it was restructured and replenished.

Over an 18 month period Governments entered into negotiations which resulted in the restructured GEF which is operating today together with a replenishment of approximately \$2 billion.

Discussions on the next replenishment of the GEF began this past March, and it is anticipated that the replenishment will be finalized before the end of this year.

The GEF Secretariat has projected, for purposes of the replenishment discussions, an indicative range of US\$2.5-3.5 billion to be contributed for the next replenishment period.

The World Bank strongly supports a substantial GEF replenishment because the GEF works and works well:

- It is genuinely helping countries meet their obligations under the Climate Change and Biodiversity conventions.
- It is providing the economies in transition with resources to complete their ODS phase-out and meet their obligations to the Montreal Protocol.
- It is underwriting durable partnerships between countries who share large water bodies to manage them sustainably.
- It is building capacity both at the country level and within the UN system, including of course the World Bank, to identify and address global environment problems: our experience as GEF Implementing Agency has helped to prepare the ground for complementary initiatives that we are taking to benefit the global environment.
- It is promoting unprecedented cooperation between UNDP, UNEP and the World Bank.
- It is an important mechanism for catalyzing technology transfer.
- For every dollar of GEF assistance there is an associated dollar of IBRD and IDA resources, and two dollars of co-funding from elsewhere.
- For every GEF dollar invested in mobilizing private capital, at least 10 dollars of private investment are mobilized.



Global Carbon Initiative

President's Briefing Note

WORLD BANK AND THE ENVIRONMENT

Background

Increasing evidence exists that human activities have been and are currently contributing to climate change. One hundred sixty-four countries have ratified the United Nations Framework Convention on Climate Change (UNFCCC). The upcoming Third Conference of the Parties (COP3) to the UNFCCC in December 1997 in Kyoto is expected to lead to binding green house gas (GHG) emission reduction commitments by OECD countries and countries with economies in transition as part of the terms of a Protocol (the "Kyoto Protocol") under the UNFCCC. It could also allow for international collaboration in reducing GHG emissions among these countries (Joint implementation) and possibly with some developing countries on a voluntary basis. The cost of reducing GHG emissions in OECD countries without trading is estimated to be significantly higher (about a factor of 3) than with trading.

The Carbon Offset Investment Business

If obliged by the "Kyoto Protocol" to meet emission reduction commitments, OECD countries could limit their emissions by financing relatively more expensive domestic activities and, if permitted by the Protocol, by financing some GHG reductions outside their own borders and getting credit toward their overall reduction obligations. In this case, the OECD would pay for such reductions in another country only where the cost for reducing emissions is lower. The existence of supply (carbon offsets in the non-OECD countries) and demand (obligated OECD countries) thus creates a market for the buying and selling of carbon offsets. Hence, there are four key requirements enabling a carbon offsets market:

- ◇ Commitment among the OECD countries to binding emissions reductions
- ◇ High carbon abatement costs in OECD countries and low carbon abatement costs in the non-OECD countries
- ◇ Convention agreement that OECD countries can receive "credit" toward their own reduction obligations for carbon offsets purchases from the economies in transition and/or developing countries
- ◇ Offsets must be verified by some authority in order for them to be valid and marketable.

A carbon offset trade would include the actual cost of abatement as a form of capital investment and related costs associated with the project itself and a resource rent which flows to the supplier (benefit to non-OECD partners). The resource rent is based on the expectation that deals would be negotiated at prices lying between the direct costs of the offset sellers and the alternative costs of the buyers. For instance, a domestic abatement option in an OECD country could have a cost of \$60/tonne and an international abatement option could be an investment in a project whereby the costs are low at \$20/tonne. The result is a surplus of \$40/tonne which would be shared by the buyer and seller. the potential market for carbon offsets is large. ECON, a Norwegian

consulting firm estimates that the 2005 market will range from \$3-16 billion in traded offset value alone. Total investment costs are typically four times the offset value.

The Carbon Investment Fund

As part of the Global Carbon Initiative, the World Bank is exploring the establishment of a Carbon Investment Fund (CIF). The Bank, through the CIF, could provide a mechanism whereby buyers and sellers of carbon offsets could efficiently invest in a pool, or fund, of carbon offset investments managed by the Bank. The CIF would act as a market intermediary by obtaining funds from investors (primarily from private sector entities in industrialized nations and governments, which have binding emissions reduction obligations) and investing these funds in projects which would result in carbon emissions reductions in client countries (primarily economies in transition or developing countries, if permitted). The funds could be utilized to finance more climate friendly (less carbon intensive) regular Bank and IFC projects and the atmospheric carbon resource rent.



Efficient Markets for Greenhouse Gas Abatement

Current status

- Increasing scientific evidence indicates that greenhouse gas (GHG) emissions from fossil fuels, industry and land degradation contribute to climate change. According to the IPCC, if emissions continue to increase as projected, temperatures may increase by 1 - 3.5 degrees Celsius and sea level rise 15 - 95 centimeters by 2100.
- Over 160 countries, the majority of which are Bank clients, have ratified the UN Framework Convention on Climate Change (UNFCCC) signed in Rio in 1992.
- Only three of the obligated OECD countries will potentially achieve their reduction targets to return to 1990 level of emissions by the year 2000.
- The World Bank and Norway are currently collaborating on a three-year Activities Implemented Jointly (AIJ) program whereby pilot projects are implemented to reduce GHG emissions in developing countries and countries with economies in transition (EITs).

Prerequisites for a carbon offsets market include:

- A protocol to the UNFCCC, anticipated in Kyoto in December, 1997, whereby all OECD countries and the EITs will submit themselves to binding GHG emissions reduction commitments,
- A framework for the OECD countries under the Convention to purchase carbon offsets from EITs and/or developing countries and then to receive "credit" for these offsets achieved outside their borders towards their own reduction obligations,
- Existence of relatively high marginal costs of abatement of carbon in the OECD countries and low marginal costs of abatement in the non-OECD countries,
- Verification of offsets by some authority in order to provide validity and make them marketable.

An investment vehicle

- The World Bank is exploring the establishment of a carbon investment fund as one mechanism available within the potential global carbon offset market.
- A carbon investment fund would act as a market intermediary by obtaining funds from investors (both government and private sector) and investing in projects which would result in carbon emissions reductions.
- A carbon investment fund would contain a well-diversified portfolio of carbon offsets, resulting in a considerable reduction of risks and transaction costs.
- Standardized investment deals would also reduce risks and limit transaction costs.
- A carbon investment fund would be competitive with other players in the market.

Status of the Global Carbon Initiative

June 1997

This note provides feedback on the status of implementation of the Global Carbon Initiative (GCI) and preparation for the establishment of its Carbon Investment Fund (CIF); an update on the likely outcomes of the Convention's Kyoto Protocol negotiations; and complementarity of the GCI and GEF, including issues concerning resource mobilization for both.

Background

Mr. Wolfensohn authorized further development of the new Global Carbon Initiative business product on February 25th, 1997. At this time point the GCI product team was tasked with:

- ◆ **obtaining feedback for Mr. Wolfensohn** prior to the June G7 summit and the July UNGASS on OECD and G77 support for the proposed Carbon Investment Fund (CIF) and any advice they have on timing of any Bank announcement of its intentions to help Convention Parties meet their new obligations through a CIF-type mechanism;
- ◆ **further development of the legal framework** for establishment and operation of a Carbon Investment Fund and on obtaining pledges (MOUs) of support for the CIF in the event of Kyoto Protocol allowing crediting for JI activities between Annex I countries;
- ◆ **making progress on methodological issues** such as quantification of the baseline, and on certification and verification of carbon offsets sold through a Carbon Fund or Funds for which the Bank would be broker.

Status of GCI Implementation

The work program agreed to meet the above objectives has been achieved or exceeded. Indeed, a second product line of Carbon Free Products (voluntary payments to oil and power companies by environmentally conscious consumers wishing to neutralize the climate impacts of their consumption) is being developed that was not featured in the original GCI new product presentation. These have led to negotiations on business partnerships with Chevron and the International Federation of Automobile Associations on mobilizing voluntary payments for carbon offsets in developing countries the Bank would broker as a service to their clients or to attract new consumers.

Feedback from key OECD and G77 Countries on the Bank's GCI

Since March, Bank teams have briefed senior representatives, and often Ministers themselves, in 20 key G7/OECD and G77 countries on the GCI and proposed Carbon Investment Fund and briefings are planned for additional countries over the next weeks. Six Executive Directors have also been briefed on the GCI. Countries apprised of the Global Carbon Initiative include:

- **G7 Members:** USA, Germany, Japan, France, Canada, Italy. Meetings with UK's new Ministers and staff are planned for June.
- **Other OECD:** Netherlands (also as Chair of EU), Switzerland, Norway, Sweden, Denmark and Finland. In addition, the European Commission has been briefed.
- **Economies in Transition:** Czech Republic, Slovak Republic, Slovenia, Poland and Hungary. Mission planned for Russia in mid-July.
- **Developing Countries:** China, India, Mexico, Costa Rica and Brazil. Missions planned for Argentina, Tanzania (Chair of G77), South Africa, Zimbabwe for June-July.

Overall, feedback is very positive. All express strong interest in the Bank's proposed initiative and have a variety of responses to their own engagement with it and on how they view its development in parallel with ongoing Kyoto Protocol negotiations.

The consultations have involved obtaining political support as well as clarifying government's interest in participating as investors in a initial Carbon Investment Fund. The minimum investment level from each government has been indicated as 10 mill USD. Tangible outcomes of these discussions to date include:

- **Norway** has signed a Memoranda of Understanding (MoU) with the Bank indicating their intention to participate in the GCI with a view to binding commitments early in 1998 conditional on a positive outcome from Kyoto. **Sweden and Switzerland** are scheduled to sign similar MoUs before UNGASS.
- The **Netherlands** is meeting VP Serageldin at the political level to discuss a possible MoU at the same time. It is likely that additional countries, including Finland, Japan and Germany, may decide to participate during the next few months. This means that we already have an investment interest in the range of 40 - 70 mill USD of additional Government financing in the initial Fund.
- **USA** is very supportive of the GCI Carbon Investment Fund seeing it as one of the few practical options for implementing a binding Protocol on emissions reductions:
- **Russia, the Czech and Slovak Republics** are embarking on strategic analyses of their options for participation in the GCI with Bank assistance:
- **India and China** have GCI participation under serious review and they have been cautiously receptive to the product in early discussions:

- **Costa Rica** is very supportive of the GCI and is promoting emissions trading in LAC region countries and launching its own tradable emissions certificates;
- **Brazil** is hosting a workshop organized by the Bank to review the JI activities and become informed on the Bank's GCI and **Mexico** has invited the Bank to discuss the GCI with several Ministries this week.

Feedback from business

After the first initial stages, the market for carbon offsets will become more and more dominated by private sector companies. The GCI aims at promoting this development and has been looking for potential private sector investments already in the first phase. The GCI has been presented to around 10 private companies in 5 countries. About half of these have indicated an interest in participating. The minimum investment envisaged from each private sector entity is 5 mill USD.

The Norwegian oil company Statoil has already signed an MoU. The Swiss financial management company VTZ and Norwegian utility Naturkraft will do so within the next few weeks. Additional MoUs with Danish, Swedish and Dutch companies will probably follow within a couple of months. In addition to these, we have had initial discussion with German, Japanese and US companies. We are confident that we will be able to raise at least 30 - 50 mill USD from these companies.

The GCI has been presented to and received strong support from the World Business Council for Sustainable Development. They may also be interested in participating as an investor in the Fund

Development of legal framework and methodological issues

A working group on legal issues, headed by LEGEN, and with participation from ENVGC and the IFC, have explored the options for organization of a carbon investment fund. Preliminary findings so far indicate that the initial fund could be set up as a regular Bank trust fund under existing rules and regulation. Based on experience from the first fund, incorporation of later funds could be considered.

The GCI has developed an approach paper on the methodological issues, outlining realistic and practical solutions to the main challenges. This paper has been discussed with a wide range of stakeholders, including the UNFCCC Secretariat, IEA and OECD, and received broad support. By the end of 1997, we will have developed practical guidelines for handling the methodological issues in individual projects.



Global Climate Change Unit Global Environment Division



THE WORLD BANK

June 1997

The Carbon Offset Investment Business and the Potential Role of the World Bank Group

1. Introduction

Increasing evidence exists that human activities have been and are currently contributing to climate change. In 1992, over one hundred countries signed the United Nations Framework Convention on Climate Change (UNFCCC) in the hope of finding ways to mitigate the effects of anthropogenic sources on climate change. Non-binding targets were voluntarily set for the abatement of carbon emissions, the most prevalent greenhouse gas (GHG) contributing to climate change. The upcoming Third Conference of the Parties (COP3) to the UNFCCC in December 1997 in Kyoto is expected to lead to binding GHG emission reduction commitments by OECD countries and countries with economies in transition (EIT countries), currently listed in Annex I to the Convention. It could also allow for international collaboration in reducing GHG emissions at least among the Annex I countries and possibly with some developing countries on a fully voluntary basis.

International collaboration in reducing carbon and other GHGs is expected to be an efficient way for industrialized countries to meet their emission reduction targets. One form of collaboration, Joint Implementation (JI) as expressed in Article 4.2a of the UNFCCC Treaty, is the process by which one party may implement measures jointly with another Party in an effort to reduce GHG emissions. In March 1995, the second Conference of the Parties in Berlin adopted a pilot phase for Activities Implemented Jointly (AIJ) whereby both developing and industrialized countries can participate in projects that reduce GHG emissions. However, these activities cannot be credited toward the existing commitments of industrialized countries.

2. The Carbon Offset Investment Business

During the AIJ pilot phase, GHG reductions are realized on a project-by-project basis without crediting. Should the Kyoto Protocol agree to allow carbon offsets, this allowance would serve to initiate JI and enable industrialized countries to

negotiate more ambitious targets. As the costs of reducing carbon emissions are assumed to be relatively cheaper in the EITs and developing countries, the costs of achieving these reductions would be considered a less expensive option for countries with stringent GHG targets in meeting binding GHG reduction commitments. Under a possible future JI regime, countries would be most likely to pay for such reductions in another country where the cost for reducing emissions, or the marginal abatement cost, is lower. Compared to projected business-as-usual or baseline emissions, a quantifiable amount of carbon will have been offset as a result of the new activity. The resulting "carbon offsets" can then be "credited" towards the party which pays for those offsets and which may use them to meet its obligations. This party could be a private sector entity that must meet its GHG obligations under a national regulatory system. It could also be a national government that acquires GHG credits itself to meet its national targets under the UNFCCC. Whether the private sector of a country invests in JI projects depends on the individual country decisions regarding the domestic implementation of the UNFCCC and the policy instruments applied to allocate to domestic agents.

The existence of supply (carbon offsets in low-cost countries) and demand (obligated high-cost countries) thus creates a market for the buying and selling of carbon offsets. The four key requirements enabling a carbon offsets market include (1) a commitment among countries to binding emissions reductions; (2) the existence of relatively high marginal costs of abatement of carbon in the industrialized countries and low marginal costs of abatement in the other countries; (3) a framework for the obliged countries to purchase carbon offsets from the EITs and/or developing countries and then to receive "credit" for these offsets achieved outside their borders towards their own reduction obligations; and, (4) the verification of offsets.

Figure 1 illustrates how differing costs levels among countries and obligatory commitments coupled with crediting may form the basis of an emissions market and the resulting share of benefits from cost reductions. (Note: These cost curves are purely illustrative.)

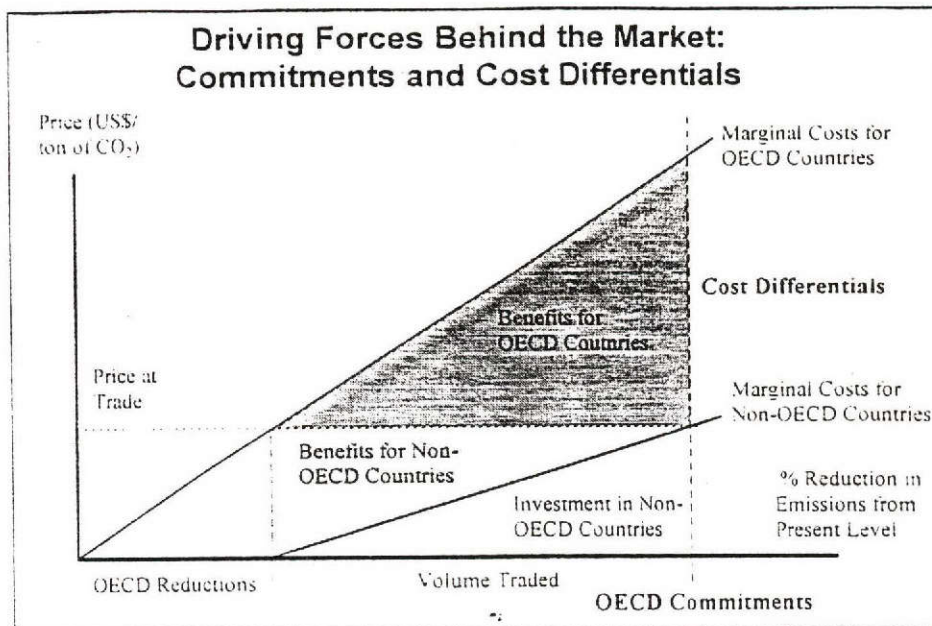


Figure 1

3. Product Development

3.1 Recent Involvement and Lessons Learned

The World Bank has already been involved in the preliminary stage of carbon investments and carbon offset deal-making for several years. During 1993-96, the World Bank and the Government of Norway partnered a demonstration program which featured pilot projects in Poland and Mexico. The results of these programs have been reported to the UNFCCC. In 1996, also in partnership with the Government of Norway, the World Bank initiated its own AIJ Program. The program is expected to mobilize USD 15 million in cofinancing and has already established a pilot project in Burkina Faso which is projected to offset 1.5 million tons of carbon over five years. New pilot projects will be established in 1997.

Depending on the outcome in Kyoto, the Bank is prepared to respond and offer a line of products that are in the best interest of all parties that choose to be involved. The Bank is currently exploring this and evaluating the feasibility of various options/products. In doing so, it has drawn from the lessons learned from the AIJ Program and the experience with AIJ projects that other have shared.

Two main lessons learned from the AIJ experience include the predominance of rather high transaction costs. A study by the Nordic Council states that transaction costs for bilateral project-by-project deals are 7% - 30% of the total project cost. For reference, the average transaction cost for GEF projects is approximately 8%. Secondly, these bilateral deals incur a high amount of risk, such as the estimation of environmental benefits prior to project implementation - one project may underperform whereas another might overperform.

These issues combined are a major hurdle for governments and companies to overcome in order to invest in JI on a bilateral basis. The Bank will continue to offer its services as a mediator of these bilateral AIJ/JI deals; however, it is also exploring the opportunities for more efficient products to overcome these obstacles and provide further incentives for an efficient carbon offsets market.

3.2 An Investment Vehicle

Therefore, the Bank is exploring the establishment of a carbon investment fund as one mechanism available within the potential global carbon offset market. A carbon investment fund could provide a mechanism whereby buyers and sellers of carbon offsets could efficiently invest in a pool, or fund, of carbon investments. This mechanism would act as a market intermediary by obtaining funds from investors (primarily from private sector entities in industrialized countries with binding emissions reduction obligations) and investing these funds in projects which would result in carbon emissions reductions in low-cost countries (primarily EITs or developing countries -- if permitted under the UNFCCC).

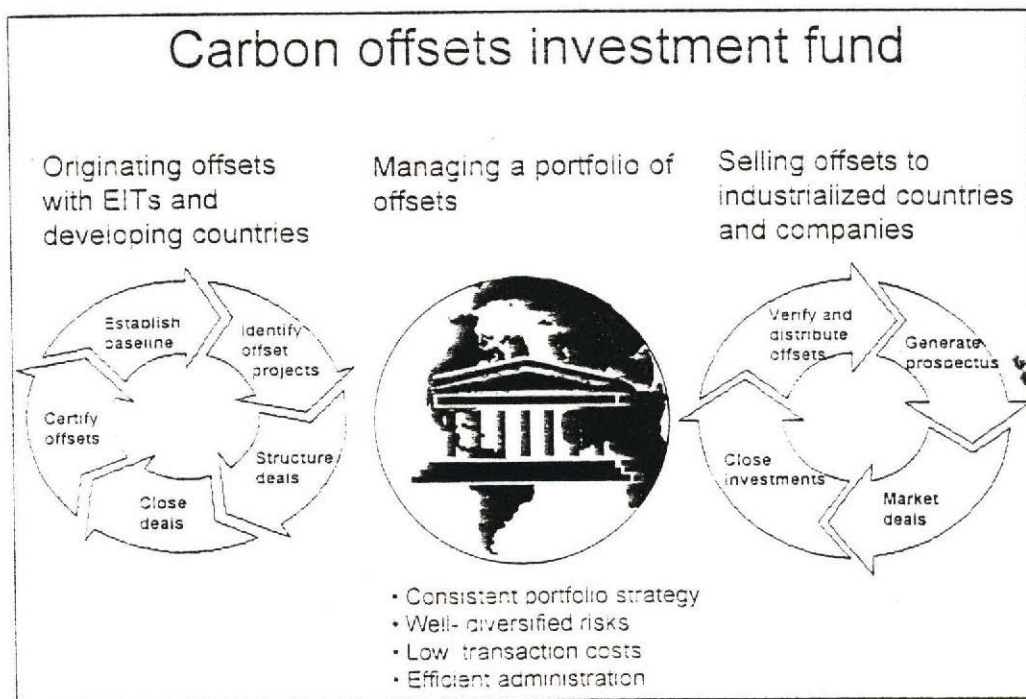


Figure 2

A carbon investment fund would contain a well-diversified portfolio of carbon offsets arranged via standardized deal-making, resulting in considerably reduced risks and reduced transaction costs. Furthermore, a fund would be competitive with future players in the market.

This fund demonstrates only one option available given positive results from the Kyoto Conference. Other scenarios and/or modifications can be illustrated

especially given the potential for private sector interest. An interactive and tailor-made approach would allow these mechanisms to respond to the various motives and needs of the potential investors and hosts. The government or private sector entity may have geographical or technical preferences. For example, a government or company may be more interested in buying offsets via a fund that invests in its region.

3.3 The Advantages of a Carbon Investment Fund:

The following points outline the advantages in developing a carbon investment fund:

Developing countries and the EITs:

- A significant portion of the trade value would be net income or profit of the developing countries or EIT's in the form of resource rent flows.
- Large-scale technology transfer would be stimulated in the developing countries and EITs.
- Through the spread of increasingly energy efficient technology, a carbon offsets investments would benefit national and regional environmental circumstances.
- With a strong focus on private sector investors, an investment fund would substantially increase the resource flows from developed countries to developing countries/EITs.

Industrialized countries and the private sector:

- A carbon investment fund would provide substantial costs savings for investors (both public and private) looking to reduce their carbon emissions.
- Investors in the fund would expose themselves to minimal risk by utilizing a managed fund with a well-diversified portfolio.
- The private sector would be able to provide technology and services on a competitive basis.
- A carbon investment fund would be one vehicle for companies to reach the "green consumer", for example, via carbon-free products.
- A carbon investment fund would generate a realistic price for polluting activities.

4. The World Bank's Comparative Advantage

Several features distinguish the World Bank and its capacity to engage in the carbon investment business as an intermediary:

- The World Bank, independently, and as one of the Global Environment Facility's (GEF) implementing agencies, has first-hand technical experience in

carbon abatement projects, and associated issues, including methodology, monitoring and risk mitigation strategies.

- Through its conventional operations, the World Bank has access to USD 6 billion worth of projects in key carbon abatement sectors such as energy, industry, transportation and land-use.
- The Bank has begun applying a new technical tool, Global Overlay, to integrate global environmental externalities into its project assessment work. The synergies for project identification between the global overlays program and the carbon investment fund are currently being developed.
- The Bank Group has also demonstrated its ability to mobilize external cofinancing for projects related to carbon abatement. The role of the World Bank Group's private sector affiliate, the International Finance Corporation (IFC), is also vital to accessing cofinancing.
- The World Bank has strong project management capabilities and experience in managing sovereign risk. This is particularly important for an emerging business with limited precedence and high risk.
- The Bank is well placed to help establish the necessary market institution and international administrative structures and guidelines for a GHG investments system in collaboration with partner countries, international organizations and other stakeholders.
- Finally, by engaging in a carbon investment business, the Bank would act as a market maker, allowing a competitive market for investments in carbon offsets to emerge faster and on a broader scale.

5 Next Steps

There is a possibility that negotiations in Kyoto will result in the conditions necessary for the creation of a market for carbon offsets. Depending on the conditions stipulated by the negotiations, the resulting market could provide opportunities for EITs and developing countries to earn resource rent and to acquire access to new technologies, permit industrialized countries to achieve cost savings and the overall amelioration of global climate change and other local and regional environmental concerns.

The Global Carbon Initiative is researching various mechanisms and instruments to facilitate this carbon offsets market, one of which includes the feasibility of a carbon investment fund. The next steps include a series of consultations with various potential host and investor countries and private sector companies to determine their interest in a carbon investment fund. Research is currently underway to establish guidelines for assessing and verifying direct and indirect GHG emissions reductions at the project level. Finally, efforts are being undertaken to establish relationships with the regional departments of the Bank, International Finance Corporation, client countries and non-governmental organizations.

The World Bank's growing emphasis on increasing private sector involvement, the use of market-based initiatives, and particular attention to socially and environmentally sustainable development are all objectives which could be enhanced by its potential involvement in the carbon investment business. Either through the Carbon Investment Fund or some other vehicle, the Bank could assist in the critical development phase of the carbon market.



Partnership for Renewable Energy

President's Briefing Note

WORLD BANK AND THE ENVIRONMENT

Background

The Bank could create a powerful alliance with the Global Environment Facility by allocating a portion of its energy lending to renewable energy, in order to:

- ◇ reduce the risks of climate change and simultaneously reduce local air pollution;
- ◇ adopt cost-effective clean technologies;
- ◇ pave the way for countries to adopt a sustainable energy future.

If the Bank committed about 20% of current total lending for energy (about \$600 million per year) for five years, and reached agreement with the GEF for incremental funding of \$150 million per year, it would provide the basis for worldwide leadership in the financing and promotion of a large-scale strategic renewable energy program with very large long-term economic and sustainable development returns. This effort would complement the Bank's traditional work in commercial energy, which is largely geared toward improving the economic and business environment for private capital flows, financing commercial energy, and providing policy advice on sectoral efficiency.

Features of the Initiative

The initiative would have unique features:

- ◇ It would seek ways to reduce the global costs of renewable energy technology supply by being the major global finance supplier for solar, wind and biomass renewable energy technologies *and* the major promotor of developing country markets by providing technical advice on removing barriers to adopting renewable energy in them;
- ◇ It would provide opportunities for creative marketing and investment including exploiting the potential for aggregating markets to reduce the costs of long-term financial commitments and to confirm economics of scale, investment in manufacturing joint ventures, and systematic reviews of policy and information barriers to market development.

Although placed within a comprehensive and clear global programming framework, projects would be required to be fully country-driven and in accordance with country assistance strategies and country priorities. Competition between countries and their energy companies for these resources would result in high quality projects. Within the joint program, assistance would likely be needed for research and development, especially in those countries that may have a long-term interest in developing domestic manufacturing capacity. The program should also leverage additional matching financing from other such as IFC, Foundations, and, on a more modest level, non-governmental organizations.



Market Transformation Initiatives

President's Briefing Note

WORLD BANK AND THE ENVIRONMENT

Market Transformation Initiatives (MTI's) are partnerships between market change agents such as NGOs, private enterprise, development financiers and foundations to transform market behavior to environmentally and socially sustainable practices.

The value proposition of MTIs is that by working together key market change agents can significantly accelerate the rate of market transformation to sustainable practice. For the Bank's engagement in MTIs the value proposition is its development impact is measurably greater if it explicitly tailors its assistance to build on and leverage the resources, capacity and relative competencies of other active supporters of sustainable practice in particular markets.

MTI's are characterized by:

- Strategic coalitions sharing the objective of sustainable use of a particular natural resource or public good, e.g. global forests, coral reefs.
- Partnerships between private sector companies, NGO's, and development financiers (including bilateral agencies and philanthropic foundations) that can provide catalytic advice or financing for largely private sector investments which demonstrate sustainable practice.
- Flexible informal consultative mechanisms unencumbered by bureaucracy and operating at low cost.

The "product" of MTI's in a particular market-place and segment (e.g. producers and consumers of timber products from Russia's Eastern European forest, or live fish from Indonesia's coral reefs) should be:

- quantifiable change to sustainable practice in a specified time frame, such achieving independently certifiable sustainable forestry of 50% percent of the market from zero percent over a five year period;
- each member of the coalition agrees to be held accountable for the targeted market transformation and their part in it along the value chain;
- strategic alliances between the Bank, private sector, NGOs and governments to achieve significant and measurable contributions to the desired market change.

An example of an MTI is the Forest Market Transformation Initiative (FMTI):

Objectives include transforming global timber markets to sustainable practice, focusing on the main frontiers of forest loss in the Congo Basin, Papua New Guinea, Guyana Indonesia and Russia's European forests. It is active in pioneering catalytic funding ("green carrot") financing packages to stimulate demonstration of truly sustainable practice in timber harvesting, and to improve understanding of alternative fibers. Global FMTI partners include the Strategic Environment Advantage, MacArthur Foundation, Collins Pine, B&Q, Seven Islands Timber, WWF, WRI, and the Rain Forest Action Network.

Other MTIs under implementation or planned with similar structures and objectives include:

Photovoltaic Market Transformation Initiative (PVMTI): This MTI is a technology-based initiative, using the power of an individual environmentally low impact and socially friendly technology to drive sustainable development of the global energy sector. Designed by the Bank Group, implemented by the IFC, and financed by the GEF, the PVMTI represents a strategic coalition of stakeholders in solar energy comprising global NGO, private sector, development financiers and foundations, working with local coalitions of private sector investors, associations, NGOs and governments in each target market. In the first phase of the PVMTI, \$30 million of grant assistance was approved by the GEF Council in October, 1996, to support competitively solicited solar photovoltaic energy projects in India, Morocco, and Kenya. These funds will reduce obstacles to PV market development and attract additional private investment for new and expanded PV energy supply. A second phase of the PVMTI is expected to target market development in 3 additional countries.

Hydrocarbon Refrigerant Market Transformation Initiative: This MTI is in the form of the Global Hydrocarbon Refrigerant Market Barrier Review and is targeting the global market for alternative environmentally sustainable refrigerants. This market transformation is driven by the Vienna Convention to protect the Ozone layer and its Montreal Protocol. Funding for developing country participants in the agreement is provided by the Montreal Protocol's Multilateral Fund. Technology choice for alternative ozone layer friendly refrigeration includes substances that may have enduring climate change impacts, hence the Bank and other stakeholders are concerned to support alternatives that have the lowest overall impact on the global environment i.e. are both ozone layer friendly and climate change neutral. The strategic coalition of market transformation in this initiative includes the German and Swiss Governments, the Bank and NGOs such as Greenpeace.

Marine Products Market Transformation Initiatives: WWF and Unilever (which has 40% of the global seafood market) have formed the Marine Stewardship Council (MSC) to define and certify sustainable practice in the seafood industry. WWF and the Bank have agreed to explore the opportunity for related forming specific MTIs targeted to leading the change towards sustainable production and harvesting practices in sub-sectors which the Bank Group is or can be active in based on our expertise, portfolio, pipeline and client dialogue. Market segments under review for targeted Marine MTIs include shrimp and other coastal aquaculture, inshore fisheries, and coral reef live fish markets.

Solar Development Corporation: Under Energy Department direction, the Bank Group has designed with the Rockefeller Foundation the SDC to accelerate market development for solar photovoltaic energy, complementing the PVMTI (above) and the IFC's GEF-supported Renewable Energy and Efficiency Fund. The SDC is to be a stand-alone company to fulfill roles both as a business development and financing entity for PV operations, and the potential to be commercially sustainable.



WWF-Bank Collaboration for Forest Conservation and Sustainable Use

President's Briefing Note

WORLD BANK AND THE ENVIRONMENT

Background

The World Bank Group and the World Wide Fund for Nature (WWF)* are entering into a Memorandum of Understanding to establish a "global alliance" for forest conservation and sustainable use. Both organizations share a concern for the biodiversity, climate, economic and social implications of deforestation and forest degradation in the world, and recognize the urgency of dealing with these problems. Both groups agree that their interventions' effectiveness and relevance would be greatly increased through a strategic collaboration taking advantage of common goals and approaches and complementary skills.

WWF is an ideal partner for the Bank in forest conservation and sustainable use. They have offices in 120 countries, 5 times more foresters than the Bank, and close working relationships with local communities, NGOs and the private sector globally and in developing countries with important forest resources. Together, WWF and the Bank would build coalition for change with other NGOs, private sector and local community groups

Points of Agreement

The essential points of the alliance are:

A Common Approach to the Forests

- WWF and the Bank have agreed to work jointly to escalate and focus international efforts to deal with the ecological, economic and social consequences of deforestation and forest degradation in the world;
- The two organizations agree that:
 - ⇒ ***a representative network of protected areas must be established*** across developing and developed economies amounting to 10 percent of each of the world's major forest types by year 2000 and that for Bank client countries, 50 million ha of representative forest ecosystems should be brought under strict conservation by 2005;
 - ⇒ ***a large area of natural forest in developing countries and economies in transformation must be brought under genuinely sustainable management*** starting from a negligible amount today, (the Bank is committing to a target of 100 million ha of temperate and boreal forests, and the same area of tropical forests, should be independently certified as under sustainable management by year 2005).

Working for Forest Conservation and Sustainable Use

- Four specific programs of activity will be shared, as the main means of collaborating on this project:
 - ⇒ ***identification and establishment of forest protected areas***: utilizing WWF field capability to define such areas and the Bank's ability to invest in and develop new financial instruments to implement protection;
 - ⇒ ***independent certification of sustainable forestry: private sector approaches***: combined WWF/Bank initiatives on both the demand and the supply side of the international forest products market, aimed at promoting investment in, and purchase of, products from sustainably managed forest;
 - ⇒ ***integrating policies, programs, and interest groups***: utilizing organizational networks and advantages to move forest countries beyond broad commitments to sustainability targets, towards geographically and technically specific forest management agreements;
 - ⇒ ***new products and instruments***: joint programs to promote new approaches to forests, such as transition funds aimed at helping local communities to invest in sustainability, and compensatory mechanisms with the same objective.

The two organizations will work on refinement of their collaborative program, along the lines suggested above, and with attention to developing joint priorities for both the focus and nature of activities to be shared, and also geographical location of such activities.

** WWF is known as World Wide Fund for Nature, except in the United States and Canada, where it is known as World Wildlife Fund.*



Russian Phaseout of CFCs

President's Briefing Note

WORLD BANK AND THE ENVIRONMENT

Background

Continued Russian CFC production is seriously threatening our efforts to implement the Montreal Protocol on ozone layer protection by feeding a black market trade worldwide, which undermines phaseout efforts for ozone depleting substances (ODS) in the OECD and developing countries. Russia's CFC production capacity is more than half of the world's remaining capacity.

In November 1996, in response to the World Bank's request, the United States through Al Gore agreed to allocate US\$6 million to the initiative. The U.S. has been an active partner with the Bank in reaching agreement with the Russian Government through the Gore-Chernomyrdin Commission and in urging other donors to contribute (Canada, Japan, Germany, Italy).

The Bank has taken the initiative to close off this source of ozone layer destruction and has reached an understanding with the Russian Government and Russian private enterprises concerned to phase out CFCs over an 18 month period.

Status of the Initiative

The Bank has obtained formal agreements from the Russian Government and the seven Russian CFC-producing enterprises concerned that they will close CFC production in exchange for the negotiated compensation (US\$24 million).

Total funding required for the initiative is US\$27 million, comprised of the US\$24 million negotiated closure compensation plus US\$3 million for technical assistance, verification procedures and project administrative costs.

Written commitments and verbal undertakings from donors to date have reached US\$15 million of the total funding required, leaving a shortfall of US\$12 million.

The Russian Government has offered to utilize existing IBRD environmental TA project funds for part of the technical assistance costs, although because of procurement limitations this can at best contribute US\$1 million.

All internal Bank processing for the project has been completed as far as possible pending commitments of funding. In a letter of June 4 to OECD Ministers of Foreign Affairs and Environment, Mr. Wolfensohn noted that the Bank and Government of Russia has done all that could be done without full funding and asked for their advice on how to proceed in the circumstances of a funding gap.



Desertification

President's Briefing Note

WORLD BANK AND THE ENVIRONMENT

Background

Desertification and drought are problems of a global dimension that affect more than 900 million people in 100 countries, some of them among the least developed in the world. Forty-one percent of the world's total land area is being wholly or partially lost to desertification and land degradation: 30% of the irrigated lands, 47% of the rainfed agricultural land and 73% of the rangeland is undergoing some sort of desertification/degradation. Desertification and land degradation is largely caused by poor land management, often amplified by prolonged periods of drought. Desertification and drought affects sustainable development through their interrelationships with important social problems such as poverty, poor health and nutrition, lack of food security, and those arising from migration, displacement of people and demographic dynamics.

The Desertification Convention

As a result of demonstrated commitment to the desertification and land degradation issue at Rio, a Convention to Combat Desertification (CCD)* was adopted in 1994 and ratified in late 1996; it has now been ratified by eighty countries. The Convention places a strong emphasis on a multi-source funding approach. A Global Mechanism (GM) was set up under the Convention to help the Parties mobilize financial resources. To be effective, the GM will need to draw on the strength of its host organization(s), still to be selected, which must feature experience in natural resources and management, the ability to mobilize financial resources and to promote a variety of innovative funding mechanisms, and effective information and contact networks.

Other Institutions' Activities To Combat Desertification

UNDP/UNSO is among the largest donor agencies helping to combat desertification: between 1992 and 1996 it supported programs and projects in some 130 countries for \$1 billion, mainly from trust funds provided by Denmark, Norway, France and other bilaterals. IFAD's program, which is aimed at grassroots agricultural development, has made a major commitment to combating desertification, with 42 projects in 24 countries costing more than \$700 million. FAO, with more than 200 projects in 30 countries, has a strategy which aims at using preventive measures in undamaged or slightly degraded lands, corrective measures to regenerate moderately degraded lands, and rehabilitation measures to restore seriously degraded lands. The GEF's operational strategy calls for maximizing global benefits arising from interventions in deforestation and desertification under the GEF four focal areas.

Current and Future Role of the World Bank

The World Bank has been very active in drylands management and in helping countries combat desertification. During 1990-95, the Bank financed 108 projects to improve natural resource management in dryland areas, with Bank financing totaling \$6.8 billion and leveraging an additional \$13.4 billion. The Bank's new portfolio since 1995 contains 57 projects dealing with dryland issues totaling \$2.3 billion and leveraging \$2.7 billion.

Bank lending should support the objectives of the Desertification Convention, including support to sustainable management policies and practices that reverse serious degradation of soils. This is an important component of the Bank's new strategy on rural development. Priority should be accorded to Africa, since this is where major land degradation and desertification issues have arisen and where the impact on poverty (especially marginal farmers) is the greatest. The Bank should play a proactive role in operational assistance, donor coordination, and research with the primary focus on Africa, and give consideration to playing a broader strategic role in the context of the Convention.

In particular, the Bank is offering its services to the Desertification Convention, in partnership with others, to help establish mechanisms for mobilizing financing, implementation and enforcement.

****Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa.***



Water

President's Briefing Note

WORLD BANK AND THE ENVIRONMENT

Background

Around the world, over a billion people lack access to adequate supplies of water and close to two billion people suffer from the consequences of poor sanitation. Millions of people, especially children, die each year from contaminated water. Water quality in developing countries is generally poor and getting worse. In many areas, the lack of water, not land, will be the main constraint to agricultural production and food security.

In the 1990s, alarm has grown around the world about reconciling these rising demands with limited supplies, and in doing so in a way that improves rather than further damages the environment. The need for comprehensive approaches to water resource management to avert a worldwide 'water crisis' has become clear.

The Dublin Principles and Rio

The pre-Rio "international conference on water and the environment", held in Dublin in 1992, was attended by over 100 countries. The meeting produced a remarkable consensus on the principles which should be followed in managing water. The "Dublin Principles", which were incorporated into Agenda 21, are:

- ◇ fresh water is a finite and vulnerable resource, essential to sustain life, development and the environment;
- ◇ water development and management should be based on a participatory approach, involving users, planners and policy-makers at all levels;
- ◇ women play a central part in the provision, management and safeguarding of water;
- ◇ water has an economic value in all its competing uses and should be recognized as an economic good.

The World Bank Water Resource Management Policy

The Dublin Principles have subsequently had a wide impact on water policies at the international and national levels. Inter alia, the World Bank's Water Resources Management Policy Paper of 1993 is consistent with, and builds on, the Dublin Principles.

The Global Water Partnership

“Partnership” and “collaboration” are major themes of the new consensus on how water should be managed. Consistent with this vision, the Bank has energetically fostered new forms of partnership aimed at translating the Dublin Principles into concrete actions on the ground. An important demonstration of this commitment is the Bank’s active participation in the Global Water Partnership. The overriding goal of the GWP is to help developing countries translate the Dublin Principles into practice. The process goals of the GWP are to ensure that this happens by reducing transactions costs and overlap so that the outcomes are better for both developing country “recipients” and for “donors”. Modeled on the CGIAR (a professional-driven, non-bureaucratic and accountable partnership), the GWP has had a promising first year, initiating substantive programs in Southern Africa and South East Asia.

PRESS CONFERENCE INFORMATION

ADDITIONAL REFERENCE MATERIAL

The World Bank



News Release No. 97/1377 S

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WORLD BANK OFFERS "GREEN TOP TEN" IN ADVANCE OF UN EARTH SUMMIT *Calls for renewed efforts to safeguard environment*

WASHINGTON, June 5, 1997—Today, on World Environment Day, the World Bank presents ten measures which, it believes, can exert real impact on improving and protecting the environment. The call comes as world leaders, including President Clinton, and other dignitaries such as World Bank President James D. Wolfensohn, prepare to attend a Special Session of the UN General Assembly on the Environment in New York later this month.

The Earth Summit+5, as the UN session is called, will assess how much progress has been made on environmental priorities such as global warming, depletion of tropical forests, air pollution, and water conservation, since the first Earth Summit was held in Rio de Janeiro in 1992.

The World Bank says that despite encouraging progress in some of these areas, for example, reducing lead in gasoline and cutting the use of ozone-depleting chemicals, the current state of the global environment remains cause for profound concern. It notes that carbon dioxide emissions in developing countries have jumped by nearly 25 per cent since Rio, that pollution continues to worsen in many world cities, with 1.3 billion people still affected by poisonous air, and that tropical plants and bird life continue to be lost at a rapid rate.

According to the **World Bank's Managing Director of Operations, Caio Koch-Weser**, the bank is deeply concerned about the lack of momentum since the Rio Summit. He says the time has come for greater global partnership between industrialized and developing countries, UN agencies, private business, universities, international banks, local communities, non-governmental organizations, and other groups to forge a more strategic approach for safeguarding the environment.

*"As central to this approach," says **Andrew Steer, Director of the Bank's Environment Department**, "we are presenting a list of ten measures which could make a real difference to the environment in the long-term."*

- Phase out Lead in Gasoline Within Five Years
- Move Toward More Aggressive Elimination of CFCs
- Build Global Carbon Markets to Reduce Climate Change
- Make Water an Economic Asset
- Make Cities More Livable

- Conserve and Manage Critical Ecosystems on Land and at Sea
- Commit New Money for the Global Environment Facility (GEF)
- Build Alliances to Transform the Marketplace
- Adopt Greener Accounting and Eliminate Harmful Subsidies
- Apply Environmental and Social Assessment Consistently

*“As the new millennium approaches, we must step up efforts to work together as partners in this critical pursuit of protecting the environment,” says **Caio Koch-Weser**. “Together we must take steps to transform the marketplace so that environmental and social concerns are addressed right from the very beginning. No less than the future of the planet, and the quality of life it affords mankind, are at stake.”*

Echoing the call for greater partnership, Andrew Steer adds that the Bank has developed a close working relationship with many of the leading environmental groups, including the World Conservation Union (IUCN), which is the largest umbrella group of conservation organizations in the world. Steer says he was especially gratified that the president of the IUCN, Yolanda Kakabadse of Ecuador, and its assistant director-general, George Greene, were able to attend today’s press conference.

The World Bank is now the world’s leading financier of environmental reforms in the developing world, with \$11.5 billion in loans for 153 projects in 62 countries. Bank Group President, James Wolfensohn, will address the UN Earth Summit +5, June 23-27, to appeal for a renewed campaign to protect the world’s natural heritage, and outline the World Bank’s efforts in support of the goals of the Rio Summit.

TOP 10 FOLLOWS

WORLD BANK "GREEN TOP TEN"

The
World
Bank



- **Phase out Lead in Gasoline Within Five Years**—The Bank calls for a global conversion from leaded to unleaded fuel to reduce air pollution and health problems associated with lead exposure. Phased-out so far in 18 countries, including Brazil, Canada, Thailand, and the United States, leaded gasoline is believed to be responsible for neurological damage and heart disease among children, especially in developing countries. The Bank says that countries could recover their costs of conversion 5 to 10 times over through reduced health care costs and economic savings. The United States, for example, saved more than \$10 for every \$1 invested in its conversion. The Bank would stand ready to assist governments in introducing policies and programs to assist in the complete phase-out of leaded fuel.
- **Move Toward More Aggressive Elimination of CFCs**—The Bank says helping Russia curtail its production and use of chlorofluorocarbons, or CFCs, could arrest further depletion of stratospheric ozone. With help from a \$60 million joint World Bank-Global Environment Facility initiative, the Russian Federation has now agreed to phase out CFCs by the year 2000—but needs modest financial support from the industrial countries. The Bank says this could be repeated in China, India, Korea, Venezuela, Brazil, and Mexico, the world's other significant CFC producers, if the international donor community can provide the necessary financial support.
- **Build Global Carbon Markets to Reduce Climate Change**—As an agency closely involved in putting the Climate Change Convention into practice, the World Bank is exploring innovative remedies for the growing problem of climate change. One promising avenue is the concept of building global markets for trading greenhouse gas emissions. In other words, a company in one country may meet the Convention's emission standards by investing in pollution reduction in another country. This mechanism could lower the costs of reducing global emissions, and promote more ambitious global climate policies. Recent pilot projects by countries such as Costa Rica should be widely supported. The Bank is also encouraging private companies to finance renewable energy development in countries such as Indonesia and India.
- **Make Water an Economic Asset**—Water has long been considered a special commodity and not a normal economic resource. Subsidies to households, farmers, and other users have been commonplace throughout the world. This approach has proved to be unfair since it is always the rich who benefit from these subsidies, while the poor often miss out. About 1 billion people still lack access to formal water supply services. In urban areas the poor, who mostly lack domestic running water, typically have to buy their water from vendors, paying 10 times more for a gallon of water than someone with a municipal water connection. Furthermore, subsidies mean that water is wasted. With water scarcity a fact of life in many developing countries, it is imperative that water be treated as a precious, economic, resource. This means that the price of water should reflect the actual costs involved in delivering water, that the private sector should play a greater role in financing and managing water systems,

and that market mechanisms (such as tradable water rights and pollution charges) need to become more universal.

- **Make Cities More Livable**—The World Bank warns that in developing countries, where millions of people are leaving rural areas for the cities, urban environmental problems impose considerable costs, especially in damage to the personal health of mostly poor residents. After nearly 25 years of helping the developing world cope with urban problems, during which it has supported more than 50 projects worth \$6 billion in 30 countries, the Bank believes that making cities more livable depends on tackling environmental problems which cause the greatest harm and can be solved at modest cost. For example, the harmful effects of inhaling dust and soot from vehicle exhaust, power plants, cooking, and trash burning can be greatly reduced in industry with modest investments in dust collection and filters, and greater vigilance on the shopfloor. The Bank notes that 18,000 fewer people would die prematurely in 18 Central and Eastern European cities, with annual savings of more than \$1.2 billion in working time gained, by achieving European Union air pollution standards. The Bank also argues that microbial diseases in drinking water contaminated by rats, flies, and mosquitoes cost billions of dollars in lost lives and bad health in developing countries' cities. With modest investment in cleaner water supplies, together with efforts to improve urban air quality, the Bank believes that cities can be made more livable for millions of the world's people.
- **Conserve and Manage Critical Ecosystems on Land and at Sea**—Many areas of unique natural value continue to degrade due to lack of protection. A targeted approach is required. Recently the Bank has partnered and supported organizations such as Conservation International, Worldwide Fund for Nature, and IUCN in identifying priorities for action. On land and sea, the Bank is providing widespread support for establishing and managing protected areas around the world. The partnership between the Bank and IUCN has produced a number of innovative biodiversity initiatives, including the Global Representative System of Marine Protected Areas. The Bank is helping developing countries make projects in agriculture, forestry, energy, tourism, coastal zone management, and urban and infrastructure projects more "biodiversity friendly". For example, projects in Honduras, Nicaragua, and Panama promote sustainable agriculture to alleviate poverty and discourage the expansion of farming activities into the Atlantic forests of the Meso-American Biodiversity Corridor. Other projects like Indonesia's COREMAP promote conservation, and sustainable use of some of the world's richest coral reefs and other coastal ecosystems.
- **Commit New Money for the Global Environment Facility (GEF)**—The World Bank calls for a substantial new cash injection for the Global Environmental Facility, or GEF. Created in 1991 with a \$2 billion inaugural fund, the GEF provides grants to developing countries to help them reduce the risk of climate change; promote biodiversity; protect international waters; and phase out ozone-depleting substances, such as CFC's. With GEF-sponsored success stories growing throughout the developing world, such as a biodiversity protection project in Belarus and an energy efficiency project in Thailand, the Bank says the Facility should be replenished with new money. Discussions among governments concerning replenishment are currently underway.
- **Build Alliances to Transform the Marketplace**—Moving from present to sustainable practices is hampered in many economic sectors by high risks, lack of knowledge and

finance, wrong economic incentives, and the absence of "green" markets. The World Bank believes that removing such barriers throughout the value chain will require active partnerships among private investors, NGOs, governments, financiers, and local communities. Toward this end, the Bank will be supporting such "Market Transformation Initiatives" in forestry, marine industries, and solar energy.

- **Be Consistent with Environmental and Social Assessment**—Techniques are currently available to ensure that environmental and social concerns feature prominently in policy and project design, yet these are inconsistently applied. The World Bank calls on international financial institutions (including export credit agencies) to harmonize their standards and apply them consistently. The Bank is currently actively strengthening its own practices and—in partnership with IUCN and other groups—has embarked on a major training and capacity-building program in Africa. Ensuring consistently high standards is especially important for potentially damaging investments in infrastructure and energy. The establishment of an independent "commission" on large dams, agreed upon last month at a meeting convened by the World Bank and IUCN, is an important effort to ratchet up performance in this sector.
- **Adopt Greener Accounting and Eliminate Harmful Subsidies**—Traditional measures of economic progress ignore the depletion of natural resources and the subsequent costs of environmental damage. The Bank has been in the vanguard of efforts to link economic and environment issues by expanding the measure of a country's wealth to include natural resources—using a greener measure of wealth will improve both economic and environmental policy-making. The Bank calls for increasing the application of greener accounts that can serve as indicators of the economic benefits of reducing environmental damage and the costs of depletion. In addition, the World Bank, together with the Earth Council and other concerned agencies, urges the rapid phase-out of subsidies on natural resource consumption. The Bank estimates that subsidies on fossil fuels have dropped by 50 percent since 1992, but still stand at \$58 billion. The Earth Council has estimated that total subsidies still amount to \$800 billion, including \$45 billion on water, \$150 billion on transport, and \$2 billion on pesticides. These subsidies rarely benefit the poor and invariably harm the environment.

-###-

Carbon



Large Dams

President's Briefing Note

WORLD BANK AND THE ENVIRONMENT

Background

The Bank has come under increasing criticism in the past several years over the negative impacts of its large dam projects. Among these impacts, one of the most contentious is the resettlement of millions of indigenous peoples, and the destruction of their ways of life. OED prepared an internal review of large dam projects which was also critical. While pointing out the positive impact of dams, (such as clean power, flood control, providing for reliable supplies of water for irrigation and domestic water supply), the report also concluded that further examination of large dams projects was needed to determine their role in sustainable development.

Following on the recommendation of the OED report, the Bank and the IUCN (the World Conservation Union) held a workshop on April 10-11, 1997 in Gland, Switzerland to discuss the issues surrounding large dam projects.

Gland Agreement

The following is a brief description of the agreement that came out of the Gland meetings.

It was decided that an "Independent Commission" would be created to study past dam projects and to create a list of "best practices" from which standards for future dam projects could be developed. This Independent Commission will operate for the next two years to complete this review. Several other issues were agreed upon regarding the construction of new dams: the projects will require the input of affected peoples; and alternatives must be considered for all of the potential benefits that the dams offer.

THE BANK'S RELATIONSHIP TO THE COMMISSION

The Independent Commission (IC) is, as its name implies, independent! The Bank is committed to help define the ToR, to assist the IUCN in identifying names of potential Commission members, and in getting the Commission launched. In this preparatory phase, Andrew Steer and John Briscoe will represent the Bank. All correspondence related to the IC should be handled by Andrew Steer's office.

Once the IC is up and running, it will be up to the IC to interact (or not interact) with the Bank. Andrew and John will continue to be the Bank's "port of entry".

The Bank and the IUCN have already initiated meetings on the development of the Commission. Names have been proposed as possible Chairpersons for the Commission and a timetable has been set to launch the Commission by November 1997.

OED Précis



Operations Evaluation Department

September 1996

World Bank Lending for Large Dams: A Preliminary Review of Impacts

Large dam projects are controversial. Their proponents point to the social and economic development benefits that dams make possible, by providing electric power, irrigation for agriculture, and residential and industrial water for growing towns and cities. Critics consider that project sponsors and financiers systematically downplay the deleterious effects that dams can have on displaced people and the environment. They argue that there are usually cheaper and more benign alternatives to meet the same developmental goals.

A desk review by the World Bank's Independent Operations Evaluation Department examines the outcomes of 50 completed large dams assisted by the Bank. It finds that the projects have a mixed record in their treatment of displaced people and in their effects on the environment, but that the policies the Bank has adopted on resettlement and environmental aspects of projects have improved performance "on the ground." In most of the cases reviewed, benefits have far outweighed costs, including the costs of adequate resettlement programs, environmental safeguards, and other mitigatory measures. These results suggest that the Bank should continue supporting the development of large dams provided that they strictly comply with Bank guidelines and fully incorporate the lessons of experience.*

OED now plans a second phase of study, involving field-based evaluations.

This phase aims to contribute to the refinement, dissemination, and broader adoption of sound standards for planning, building, operating, and financing large dams.

World Bank role

The World Bank has directly or indirectly assisted only 3 percent of the dams in developing countries. Today, the Bank is financing about four dam projects a year—half the rate of the 1970s and 1980s. Since 1986, the Bank has approved 39 dam projects: 33 mainly or exclusively for hydropower, three mainly for irrigation, and three for water supply or navigation. Lending for these 39 projects, at \$7.4 billion, accounts for about 3 percent of total World Bank lending in the past ten years.

At first, large dams were simply regarded as engineering structures—that is, in terms of their usefulness for generating electric power and improving the management of water. In the 1960s, cost/benefit analysis became accepted as the standard criterion for the justification of large dams, and the World Bank pioneered the modeling of river basins and new methods of economic analysis of multipurpose projects in developing countries.

It was not until the 1970s and 1980s that social and environmental impacts, previously treated as inevi-

table "side effects," emerged as fundamental concerns. The Bank responded by adopting guidelines to integrate social and environmental concerns into the analysis of proposed projects and to avoid or mitigate the adverse consequences of large dams. It issued guidelines on dam safety in 1977; on involuntary resettlement in 1980, 1986, and 1990; on safeguards for indigenous people in 1982; on natural habitat in 1986 and 1995; on environmental aspects of dams and reservoirs in 1989; and on environmental assessment in 1991.

The standards embodied in the Bank's policies have yet to be universally adopted. Even the governments that accept them in principle may lack the regulatory framework, the participatory mechanisms, or the domestic capacities needed to translate the new standards into results on the ground. The advent of private financing for public infrastructure

**"The World Bank's Experience with Large Dams: An Overview of Impacts," by Andres Liebenthal and others, August 15, 1996. Bank executive directors and staff may obtain copies of this interim report from the Operations Evaluation Department. Précis written by Rachel Weaving.*

Box 1: Scope of study

The review is based on information from Bank reports, borrowers and operating agencies, nongovernmental organizations, and Bank operational staff. It covers all the completed and evaluated projects that have involved the construction of a dam more than 90 meters high, or that have flooded more than 200 square kilometers. To be conservative, the review also includes some projects that have attracted controversy and involve dams more than 60 meters high for which data were available. The projects were approved between 1956 and 1987. Schemes still under construction, among them the Sardar Sarovar (Narmada) in India, are excluded.

Given the long implementation periods typical of large dam projects, all but 14 of the dam projects reviewed were appraised before the Bank first adopted guidelines on the resettlement of displaced people (in 1980), and all but one were appraised before 1986, when the Bank first adopted guidelines on protection and management of the environment.

makes the dilemma more complex and urgent.

Knowing that influential advocacy groups oppose any further World Bank financing for large dams, many governments of developing countries are now ambivalent about seeking the Bank's support for this purpose. Yet they are reluctant to hold back the building of dams and the cheaper energy and more reliable food supplies that flow from them.

To take an objective look at the issues underlying the controversy and to help set policy directions for future decisionmaking, OED examined the rationale, likely impacts, and economic justification of 50 large dams supported, completed, and evaluated by the Bank (Box 1).

Development benefits

The 50 dams reviewed have made major contributions to economic development. They have created an installed power generation capacity of 39,000 MW and they replace the equivalent of 51 million tons of fuel in electric energy production annually. They control floods and provide water for urban populations and for industrial development. They have extended irrigated areas by about 1.8 million hectares and improved irrigation for another 1.8 million hectares, substantially increasing cropping intensity and yields of major food crops.

In Pakistan, for example, the direct benefits from irrigation made possible by the Tarbela and Mangla dams are estimated at about \$260 million annually. The added supplies of irrigation water have made it possible to grow the equivalent of two wheat crops a year on 400,000 hectares of previously irrigated land and 400,000 of previously rainfed land. Indirect benefits are difficult to quantify. But an impact evaluation shows that farmers with irrigated land have increased their incomes and are spending them on consumer goods and on education, including for girls (see Précis No. 124, *Irrigation Investment in Pakistan*). The increased farm activity generates demand for associated industries such as fertilizer production and agricultural output processing.

Social and environmental impacts

Resettlement

Resettlement has been inadequately managed in half the projects. Overall, the 50 dams have displaced about 830,000 people. Based on information in Bank reports, the outcome of resettlement has been satisfactory in 25 of the large dams (involving 540,000 people), unsatisfactory or unknown in 24 projects, and no resettlement was required in one project. However, most projects predate the Bank's resettlement guidelines, and often, judgments

on outcome are largely based on the views of the implementing agency rather than on audits to establish whether displaced people's incomes have been restored to pre-project levels, as required by today's guidelines. (See Précis No. 53, *Early Experience with Resettlement*.)

The resettlement results of recent projects are better than those of projects approved before the guidelines came into force. Of the dams appraised since the first resettlement guidelines were issued in 1980, relatively few have yet been completed and evaluated. But it appears that the guidelines have improved performance: of the 14 completed and evaluated dam projects appraised since the guidelines were issued, resettlement has been unsatisfactory in two (Kedung Ombo in Indonesia and Kiambere in Kenya—Box 2).

Problems with resettlement and compensation of indigenous people appear to have been frequent. Many dams are in remote areas whose people have a social and cultural identity that is distinct from the dominant society and makes them vulnerable to being disadvantaged by development. Unfortunately, because most of the projects in this review were approved before the Bank's guidelines on indigenous people were issued in 1982, few of them recorded information on the condition of indigenous people before and after project interventions. OED impact evaluations and reports by other agencies point to this as an outstanding issue for the Bank and its borrowers.

Environment

The Bank's guidelines now provide that any project-induced environmental degradation must be avoided, mitigated, or offset as part of project design and implementation. It is too early to judge compliance with the new standards, but it appears that many problems identified by the OED review are more prevalent in early projects than in recent ones.

Box 2: Resettlement: contrasting experiences

Kiambere hydroelectric project in Kenya, as soon as commissioned in 1990, supplied 30 percent of Kenya's energy and saved the country \$25 million worth of fuel oil (in 1994 prices). But resettlement had not been adequately considered. When dam construction began in 1983 it was estimated that 1,778 people would be affected, but eventually 7,500 people were displaced or dispossessed. The resettlers moved into areas inhabited by their own tribespeople, but their compensation was too small to buy land equivalent to their original holdings. Many of them spent their compensation money on marriages, old debts, and household items, with the result that they became landless. Resettlers lost the diverse sources of income they had had before mov-

ing. They had less access than before to pasture, firewood, water, and trees for building. And they remained worse off than the host populations.

Lubuge hydroelectric plant in China, at its completion in 1992, supplied 26 percent of the power demand and 21 percent of the energy demand of Yunnan province. The 2,320 people displaced were satisfactorily resettled, under a plan that offered them a choice between continuing to farm on new land irrigated under the project, or being retrained for new occupations. Resettled families have more living space than before and the project has brought them drinking water, electricity, and transport and communication facilities.

The 50 dams have a mixed record on the management of environmental consequences. In areas where tropical waterborne diseases are endemic, new reservoirs can add to health risks. Most of the projects have controlled health risks successfully at moderate cost. Many have mitigated losses to fisheries by creating new fisheries within the reservoirs, and few have experienced serious threats to water quality. A few of the dam projects have enhanced natural habitats, for example by creating nearby protected areas for wildlife (Box 3). Concerns about the loss of natural habitats have been raised in connection with 13 of the projects, only two of which appear to have taken adequate mitigatory measures. In two cases (Bayano in Panama and Kariba between Zambia and Zimbabwe) major irreversible degradation of a pristine natural habitat has been reported. The adverse impacts on habitats in the other 11 projects have in general not been large or irreversible.

Watershed degradation and downstream effects. Watershed degradation, leading to sedimentation of the reservoir, sometimes accompanies the building of a dam and the opening up of a new area to settlement

and deforestation. These problems have affected the viability of only one of the dams (Kulekhani in Nepal), but in another 18 projects they are serious enough to warrant continued monitoring. Where increased waterlogging and salinity and other adverse effects have occurred downstream of dams, they have usually been the result of inadequate complementary investments rather than of problems inherent in the dam projects themselves.

Benefits versus costs

The large majority of the dams reviewed are yielding benefits that far outweigh their costs, including the

costs of adequate measures to mitigate their adverse impacts. Among the 50 dams as built, 45 are yielding acceptable benefit/cost ratios. Adding the probable costs of measures that the projects could have taken to satisfy today's guidelines on resettlement and the environment makes little difference to the estimates of economic returns.

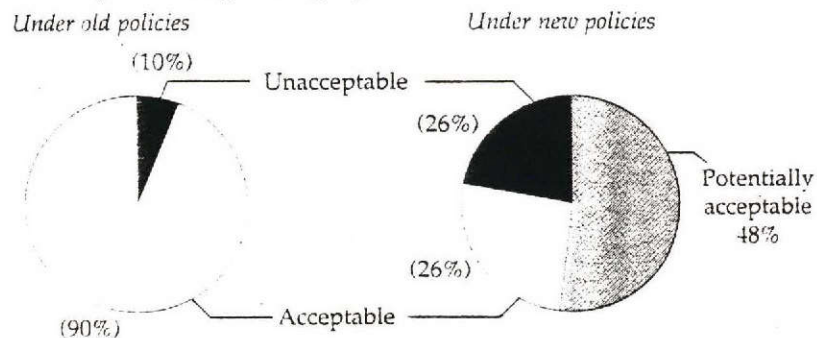
In almost all other cases, mitigation measures, including appropriate resettlement programs, could have been financed without jeopardizing the dams' economic returns. Thus, by today's standards, and based on the available information, 13 of the 50 dams can be regarded as acceptable; 24 as potentially acceptable; and 13, all appraised before 1985, as unacceptable (see figure).

Preliminary lessons

The tentative finding that 74 percent of the dams (37 of the 50) are acceptable or potentially acceptable under the Bank's current guidelines suggests that large dams can be designed, built, and operated so as to make a positive contribution to development while protecting the environment and restoring the livelihood of people who must be resettled.

The changes introduced in the Bank's environmental and resettlement guidelines mark a significant shift in the Bank's threshold of acceptability for dams. Based on available information, without additional mitigation measures only five of the 50 dams

The impact of large dam projects



reviewed fall short of the old standards, but 37, or three-fourths, fall short of the current standards. Though preliminary, the results suggest that the Bank's current resettlement policies are providing much better protection to people displaced by dams.

The implication is that the Bank should continue supporting the development of large dams provided that they strictly comply with Bank guidelines and fully incorporate the lessons of experience. Some of these lessons follow:

- *It is never too early to consider social and environmental issues. The damage caused by adverse social and environmental impacts is much greater than the cost of mitigation. The potential social and environmental impacts of projects need to be considered—on the basis of detailed reliable information—starting at the planning and pre-feasibility stage.*
- *If a project is economically justified, an adequate resettlement program and adequate measures to mitigate environmental impacts are likely to be readily affordable.*
- *Institutional capacity and commitment are crucial. With enough commitment, knowledge, and resources, the adverse impacts that have occurred could have been prevented, reduced, or offset. Careful assessment of the responsible agencies' capacity and commitment to manage the social and environmental aspects of a project, and adequate provisions to ensure their satisfactory performance, need to go hand in hand with concern about physical magnitudes such as the area of habitat to be flooded or the number of people to be resettled.*
- *It may be appropriate for the Bank to require an ex ante environmental*

Box 3: Pehuenche and the Chilean Burrowing Parrot

Pehuenche hydroelectric project, commissioned in 1991, is the second largest power plant in central Chile, which is home to 93 percent of the country's people. The project relies on a 90 meter dam and reservoir of two square km. Though the reservoir displaced no people, it was part of the habitat of an endangered species of parrot. The

birds were under pressure from farmers who hunted them because of the damage they did to crops. The project's \$1 million environmental component financed a program to establish a parrot population in a protected area near the project. Late in 1994, the program was reported to be successful with the parrots multiplying fast.

and resettlement assessment for all dams that it might assist, directly or indirectly—much as it already requires a safety evaluation. This would provide an opportunity to identify additional mitigatory measures as needed, and to require these measures to be implemented as a component of Bank support.

The Committee on Development Effectiveness of the Bank's board of executive directors, discussing the Phase I study, found the results encouraging. The committee noted that most of the Bank's projects had met the standards in force at their appraisal, and that even if the costs of adequate mitigating measures were included, the benefits from dams would normally far outweigh the costs.

Committee members emphasized that dams will continue to be built, with or without the Bank's involvement, but that the Bank's environmental and resettlement guidelines appeared to have a positive impact on the dam projects that the Bank has financed. The committee stressed the need for the Bank to be involved and monitor project impacts after the Bank's loan disbursement has been completed. Bank management confirmed that for dams that the Bank finances, a borrower's legal obligations to meet the Bank's policy guidelines extend for the life of the loan (often up to 30 years), so that the Bank retains the right to ensure that these obligations are met. Committee members noted the need to develop a

Bank Group policy that would seek to ensure consistency in guidelines for investments in dam projects by IBRD, IDA, IFC, and MIGA.

The committee also discussed the broader question of whether and how the Bank can influence the human and environmental consequences of dams that it does not finance. The committee urged management to make the most of the Bank's potential to affect the consequences of dams indirectly, through providing advice and help to borrowing countries for institution building, sectoral policy development, and environmental assessments. Committee members noted that private financiers of dams may see a benefit from involving the Bank either in cofinancing or in a certification role, because of its high standards on environmental impacts and resettlement.

The committee agreed with OED's proposal for Phase II of the study and suggested several additional issues to be addressed: a comparison of the experience of dams financed by the Bank with that of dams financed otherwise, in both developing and developed countries; an analysis of cost overruns and how to prevent them; recommendations on how the Bank can ensure that mitigating measures are in fact taken, and not just identified as feasible in dam projects. The committee urged OED to ensure that Phase II reflects the views of civil society, including those of private investors and nongovernmental organizations.

OED *Précis* is produced by the Operations Evaluation Department of the World Bank to help disseminate recent evaluation findings to development professionals within and outside the World Bank. The views here are those of the Operations Evaluation staff and should not be attributed to the World Bank or its affiliated organizations. Please address comments and enquiries to the managing editor, Rachel Weaving, G-7137, World Bank, telephone 473-1719. Internet: rweaving@worldbank.org

OFFICE MEMORANDUM

DATE: June 19, 1997

TO: Mr. James D. Wolfensohn, EXC

FROM: Andrew Steer, ENVDR 

EXTENSION: 33299

SUBJECT: **Acute List: Projects with Significant Environmental and Social Issues**

Attached is this month's edition of the "Acute List" -- projects considered to be sensitive and controversial from an environmental and/or social perspective.

Of the 27 listed projects, 15 deserve the closest attention:

- Chad/Cameroon: Petroleum Pipeline and Development Project
- Cameroon: Transport Sector Program
- Lesotho: Highlands Water Project

- Lao PDR: Nam Theun 2 Hydropower Project
- Papua New Guinea: Lihir Gold Mine

- India: Coal Sector Rehabilitation Project
- India: Coal Sector Environmental and Social Mitigation Project
- India: National Thermal Power Corporation (NTPC) Power Generation Project
- India: Upper Krishna II Project

- Argentina/Paraguay: Yacyreta II Hydroelectric Project
- Brazil: Gas Sector Development Project
- Brazil: Rondonia Natural Resources Management Project (PLANAFLORO)
- Brazil: Itaparica Resettlement and Irrigation Project;
- Chile: Pangue Hydroelectric Project;
- Guatemala: Basic Resources Ltd.

In each case, the projects have complex technical issues to be resolved involve institutional risk and are subject to significant criticism from NGOs.

Attachments:

cc: Messrs. Maurice Strong (EXC); Caio Koch-Weser (MDOMD)

ACUTE LIST

(* indicates projects needing especially close attention)

Page No.**AFRICA REGION****Pipeline**

- **CHAD/CAMEROON:** Petroleum Pipeline and Development Project *
- **ETHIOPIA:** Energy II Project (Gilgel Gibe Hydroelectric)
- **LESOTHO:** Highlands Water Project *
- **SENEGAL, MALI, MAURITANIA:** OMVS Regional Hydropower Project

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Active

- **CAMEROON:** Transport Sector Program *
- **MALI:** Sadiola Gold Mine

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EAST ASIA AND PACIFIC REGION**Pipeline**

- **LAO PDR:** Nam Theun 2 Hydropower Project *
- **SOUTH EAST ASIA:** Developments Affecting the Mekong River Basin

7
8

Active

- **PAPUA NEW GUINEA:** Lihir Gold Mine *

9

EUROPE AND CENTRAL ASIA REGION**Pipeline**

- **RUSSIA:** Petroleum Joint Venture (removed from MOS)
- **RUSSIA:** Prospective Kamgold Gold Mine

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11

SOUTH ASIA REGION**Pipeline**

- **INDIA:** Coal Sector Rehabilitation Project*

12

Active

- **BANGLADESH:** Jamuna Bridge Project
- **BHUTAN:** Third Forestry Development Project
- **INDIA:** Coal Sector Environmental and Social Mitigation Project*
- **INDIA:** National Thermal Power corporation (NTPC) Power Generation Project*
- **INDIA:** Ecodevelopment Project
- **INDIA:** Upper Krishna II Project*

13
14
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16
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18

LATIN AMERICA AND CARIBBEAN REGION**Pipeline**

- **BRAZIL:** Gas Sector Development Project*

19

Active

- **ARGENTINA/PARAGUAY:** Yacreta II Hydroelectric Project*
- **BOLIVIA:** Compañia Minera del Sur (COMSUR)
- **BRAZIL:** Rondonia Natural Resources Management Project (PLANAFLORO)*
- **BRAZIL:** Itaparica Resettlement and Irrigation Project*
- **GRENADA:** OECS Ship Generated Solid Waste Management
- **GUATEMALA:** Basic Resources Ltd.*

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23
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Closed

- **GUATEMALA:** Chixoy Hydroelectric Project
- **CHILE:** Pangué Hydroelectric Project *

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27

AFRICA REGION

Chad/Cameroon: Petroleum Pipeline and Development Project

Background/Context

Development of oil fields in southern Chad, installation of 1050 km pipeline through Cameroon to the Atlantic coast and construction of marine off-loading facilities. Project (US\$3.5 billion) sponsored by Exxon, Shell and Elf (US\$3.5). Sponsors to invest \$2.4 billion. Export credit agencies, bilateral and multilateral agencies to provide balance.

Project Summary

Board Date: July 1998; \$100 million IDA credits, IFC loans; EA Category A. EA release expected Fall 97.

Issues

- Potential impacts on health (Sexually Transmitted Diseases; AIDS), biodiversity and secondary impacts on local populations (e.g., effects of labor migration on project areas). Limited resettlement expected.
- Last portion of the pipeline passes through the tropical rainforest of the Congo Basin.
- Bank concern about whether revenues will be used by Chad to benefit population at large.
- NGOs criticize the Bank for threatening the creation of a second Ogoni land situation (Nigeria: Shell).

Current Status

- Reputable environmental engineering firm hired to conduct EAs.
- Draft EA reports (Chad and Cameroon) under review by the two governments. Release expected mid-1997.
- Bank staff unofficially reviewed Chad EA which does not yet contain an EMP (Environmental Management Plan).
- EMPs are under preparation.
- Pipeline route designed to reduce potential adverse environmental impacts.
- The Bank is preparing technical assistance projects for Chad and Cameroon to increase government's capacity to monitor and help to mitigate environmental and social impacts of the project.
- Governments, with Bank financing, appointed panel of environmental experts to assist governments.
- The Bank and Chad are discussing a strategy to promote productive use of petroleum revenues to benefit the population at large.

Contact Philippe Benoit
Ext. 458-1799

June 17, 1997

Ethiopia: Energy II Project (Gilgel Gibe Hydroelectric)**Background/Context**

180 MW hydroelectric facility located on the Gilgel Gibe River in southwestern Ethiopia, a tributary of the Omo River which flows into Kenya's Lake Turkana. Initially started with North Korean assistance, diversion channels, construction camp and 230 kV line to Addis Ababa already in place. Bank financing required to finish construction.

Project Summary

Board presentation of FY98.

Issues

- Involuntary resettlement of 20,000 people in area with political/ethnic sensitivities
- Riparian issues with Kenya
- Loss of 300 ha of riverine forest, habitat of endangered species
- Increased risk of water-borne and sexually transmitted diseases

Current Status

- Environmental Assessment is adequate and completed
- Riparian issues with Kenya are resolved (only 0.17% flow reduction will occur in the Omo River). Kenya has filed no objection
- Large buffer zone around reservoir will compensate for lost riverine habitat and provide a habitat for endangered species
- This buffer zone will also limit access to population and thus minimize exposure to bilharzia and malaria vectors (bilharzia and malaria are hyper-endemic in project area)
- Board presentation deferred to permit adequate completion of EA and resettlement plan (RAP)

Follow-up

- Satisfactory completion of EA and RAP.

Contact: Alfred Gulstone
Ext: 473-4297

June 17, 1997

Lesotho: Highlands Water Project

Background/Context

Very large water transfer project in Lesotho to change the course of water flow from the south into South Africa towards the north. The first phase of this project, also financed in part by the Bank, experienced serious social problems (including loss of life) as a result of poor planning and slow implementation of resettlement. International advocacy NGOs have been highly vocal critics of the first phase and continue criticism as second phase approaches appraisal.

Project Summary

Phase IA. Total cost of the water transfer project exceeds US\$2.5 billion mostly financed by South Africa. EA category A. Phase IB costs a further \$2.2, also mostly financed by S.A.

Issues

- Involuntary resettlement;
- Compensation for loss of agricultural and grazing land;
- Locating land for resettlement;
- Increase of social diseases (sexually transmitted disease and substance abuse);
- Potential extinction and endemic and highly endangered species (Maloti Minnow, a fish species);
- Loss of habitat for other rare animals and plants.

Current Status

- Borrower had difficulty in implementing resettlement and development plans in earlier phases thereby attracting considerable international criticism;
- Bank staff has taken a more active role in monitoring environmental and social studies for the second phase;
- Bank has required borrower to correct problems in the first phase before approval of second phase;
- EA report and resettlement plans have been completed and reviewed favorably by international reviewers;
- Environmental Action Plan is being refined based on comments from outside reviewers, including local and international NGOs;
- Appraisal Mission scheduled for June/July 1997.
- At present the project is reportedly handled well and there are no new problems. The project has been kept on the acute list because of its high visibility.
- Second phase preparation has been thorough, NGOs have been intensively informed of progress and all parties now want to ensure that second phase improvements are retrofitted to ongoing implementation in Phase I area.

Contact: John Roome
473-3373

June 17, 1997

Senegal, Mali, Mauritania: OMVS Regional Hydropower Project

Background

The proposed OMVS Regional Hydropower Project will finance the installation of a hydropower 200 MW plant at the existing Manantali Dam on the Senegal River (finished in 1988) and transmission lines to Bamako, Dakar and Nouakchott. In addition to the benefits of power supply, the project aims to alleviate a host of environmental and social problems in part caused by the Manantali Dam and the Diama Dam (further downstream). The Bank has not been involved in constructing these dams, but the project provides a good opportunity to address problems caused by these dams, including (i) outbreak of intestinal bilharzia; (ii) substantive adverse impacts on flood recession agriculture affecting a large number of people; (iii) impacts on dry season pastures for herders; (iv) impacts on floodplain fisheries - a major animal protein source for local communities; (v) impacts on village drinking water supplies, (vi) impacts flood forests; and (vii) disruption of the migratory routes of commercial fish species into and out of the Senegal River delta.

Project Summary

Negotiations: May 12-16, 1997. Expected Board date: June 24, 1997; the Bank finances only 8% or US \$36 million of the US\$444 million project costs; EA Category A.

Major Issues:

The main concerns are:

Assurance that the water management optimization program for the Manantali Reservoir will be implemented on the longer term. The task team responded that they would use various means to make sure that the operator of the dam would implement the agreed water management optimization program on a short, medium and long-term basis. This includes: (i) ensuring during negotiations and supervision mission that an adequate environmental unit is established and functional within the OMVS; (ii) a Loan Agreement stating that an agreement should be reached by the three governments before project completion on operational rules of the dam (Water Charter), stipulating in detail the creation of an optimal artificial flood from a hydropower, irrigation and downstream users perspective; (iii) a contract with the private project operator, including similar clauses and incentives; (iv) ensuring that the views of local coordination committees, which represent the local communities, are taken into account in the management of the Manantali Dam; (v) leverage through upcoming projects (e.g. the Valley Development Project); and (vi) ensuring that agreements are followed during project supervision. A meeting between the task team and the US ED Office, including staff from the Treasury, EPA, USAID was held on April 23, 1997. The US ED's Office commended the project team for having done an excellent job by addressing the environmental and social issues caused by the existing Manantali Dam in the design of the Regional Hydropower Project. They commented that the Bank project has gone further in this respect than any other previous Bank project. The UK ED provided very positive comments of a similar nature.

The intestinal bilharzia outbreak around the Manantali Reservoir and Diama Reservoir. The intestinal bilharzia in the Diama Reservoir area is much more serious than around the Manantali Reservoir. Thousands of people could be killed if no adequate action is taken. The Project design takes the control of intestinal bilharzia fully into account through a cost-effective monitoring system (monitoring of bilharzia snail vector and human populations after release of the artificial flood and minor water level fluctuations to control the snails) and treatment of infected people by the Mali Schistosomiasis Program; the project finances a cost-effective bilharzia snail vector and human population monitoring program on the Senegal side of the Diama Reservoir following water level fluctuations in the reservoir (the disease does not yet occur on the Mauritanian side). The project also finances five pilot projects around Lac de Guiers and the Canal de Taouey - the most heavily infected areas. The EU is financing the ESPOIR project and will be the implementing agency for this component. Further actions will be incorporated in the proposed Health Sector Integrated Project under preparation.

Current Status

- The issues in relation to the creation of the artificial flood and the intestinal bilharzia problems were discussed in December 1996 in Dakar with ENDA (one of the largest NGOs in West Africa) on April 23, 1997, with US ED Office and in the afternoon on the same date with the Bank Information Center (NGO) in Washington DC. All three parties were satisfied with the proposed actions;
- Agreements were sought during negotiations in May 1997 on TORs and arrangements for the implementation of the water management optimization program (Water Charter), which should ensure the creation and maintenance of an adequate artificial flood; health mitigation measures financed under the project will be implemented; and that an adequate functional environmental unit will be established and maintained in the OMVS;

The first artificial flood will be created and its impacts monitored in the rainy season of 1997. A real time flood forecasting system is being established to create an optimal artificial flood.

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June 17, 1997

Cameroon: Transport Sector Program

Background/Context

The Congo Basin contains the second largest primary tropical forest in the world (6 million ha). Among African countries, Cameroon and Zaire support the greatest concentration and diversity of forest-dwelling primates, large mammals, birds, reptiles and plant species. Critical forest habitat is disappearing at an alarming rate; CFA devaluation has enhanced the demand for logging in CFA countries. These concerns were raised with emphasis during the Board presentation of the Transport Sector Project and are being addressed partly under the project and primarily through a broad policy dialogue covering forest and biodiversity management issues.

Project Summary

Transport Sector Project. US\$60.7 million equivalent of IDA credit. Approved May 30, 1996. US ED voted against it. Before Board German ED threatened to do the same. Detailed information was sent to the German ED office who then voted for the project. The Germans are a major partner in Cameroon and have provided large funds and TA.

Issues

- Government commitment to biodiversity conservation is not trusted by NGOs and questioned by some Bank staff.
- Logging concessions are known to have been granted without competitive bidding to loggers. This violates agreed forestry policy.
- NGOs claim the Bank did not follow its environment policies and will finance the Abong-Mang to Lomie road which directors of African Development Bank had rejected in 1991 because of negative environmental impacts. These claims are untrue as the credit only includes maintenance and rehabilitation. No new roads are planned under the project. Loan will not be effective before an environmental operational manual, is approved.

Current Status

- Bank policy dialogue with the Government has recently broadened to cover forest and biodiversity management issues.
- The Bank has also entered into broad dialogue with international and African NGOs on approaches to biodiversity conservation in the Congo Basin, including Cameroon.
- Environmental capacity building in key sector institutions is underway. A regional GEF project in preparation seeks to create regional capacity to manage environmental information.
- Environmental Mitigation Plan for Road Maintenance was completed in mid-February 1997.
- TOR for Sectoral Environmental Assessment (SEA) has been agreed on by the Government and the Bank.
- Conditions for project effectiveness were met and the project became effective on April 24, 1997.
- Letter of invitation to carry out SEA has been sent to consultants on the short list.

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June 17, 1997

EAST ASIA AND PACIFIC

LAO PDR: NAM THEUN 2 HYDROELECTRIC PROJECT

Lao PDR: Widespread Poverty: GDP per capita below \$400
Growth Options: (a) Export of hydropower; and (b) Export of tropical hardwoods

Background

- NTEC (75% equity): Transfield Holdings Ltd., EDF, Italian-Thai Development, Jasmine International, Phatra Thanakit; and Government of Lao PDR (25% equity)
- Reservoir 450 sq.km., Powerhouse 680MW, 140 km transmission lines
- Project costs: approximately \$1.3 billion
- Project benefits: (a) Economic -- government revenue \$20m p.a. to \$100m p.a. (nominal) potentially for poverty alleviation; (b) Conservation of Watershed; (c) Private sector participation in Lao PDR; (d) Environmental -- use of clean, renewable resource (hydropower) to meet increasing energy demand in Thailand

Proposed NT2 Project:

Project Summary: Not in the pipeline (therefore no Board date set); possible IBRD partial risk guarantee (EA Category: A); possible IDA credit for Social and Environmental Project; IFC Type 'A' and 'B' loans; MIGA insurance.
Internal go / no-go decision (whether to proceed with project preparation) set for Aug / Sep 1997.

Issues

Project Impacts

- Environment -- biodiversity; downstream flooding; water quality
- Social (Significant Cultural Diversity) -- Resettlement of approx. 4,400 people; 5,000 people live in watershed; 20,000 + people downstream; people living in/around transmission lines; and large influx of foreign workers.
- Institutional -- Lao PDR capacity to implement management/mitigation plans
- Environmental/Social -- ability to protect watershed; restore and improve living standards for resettled people; minimize adverse downstream impacts
- Economic/Financial -- ability of GOL to allocate resources to poverty alleviation; macroeconomic/ microeconomic impacts of large project in a small country.

Current Status

Bank Group Involvement

Bank and IFC support contingent on:

- Government Studies -- (a) Study of Alternatives; (b) Environmental and Social Action Plan for Watershed Areas and Corridor Extensions; and (c) Economic Impact Study
- NTEC Studies -- (a) Environmental Assessment; and (b) Resettlement Action Plan

Public Consultation and Participation

- Public consultations at local, regional, and national levels to play an important part in all 5 studies listed above

Bank International Advisory Group

- **Objectives:** Advise the Bank on how we can improve the handling of environmental and social issues in Nam Theun 2 and more broadly in hydropower projects the Bank supports worldwide.
- **Output:** First mission to Lao PDR / project site from May 29-June 7. Report expected at end of July, 1997.

Government Panel of Experts:

- First visit of Panel of Environmental and Social Experts completed in February 1997. Report publicly released. Second visit scheduled for July 1997.
- Panel to review Dam Safety Issues is to be constituted.

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June 17, 1997

South East Asia: Developments Affecting the Mekong River Basin

Background/Context

In 1995, Cambodia, Laos, Thailand and Vietnam signed an Agreement on Cooperation for Sustainable Development of the Mekong Basin. The Agreement established the Mekong River Council (a policy making body at ministerial level), and the Mekong River Commission (MRC, at vice-ministerial level), which is supported by its technical arm, the Mekong Secretariat (MS). China and Myanmar are now observers to the MRC. The MRC has two priority programs: A Basin Development Plan (BDP) and a Program to set up rules for water utilization. UNDP is playing a lead role in assisting BDP efforts.

Project Summary

The Bank is not involved in any significant Mekong development programs at this stage.

Issues

- NGO community concerned about environmental/social impacts of development projects, especially in energy, transport and infrastructure sectors, and about access to information and consultations.
- NGOs wish to see the Bank play a proactive role in influencing the MRC and development plans in the basin. But MRC is concerned about the Bank and other donors playing such a role, and about donor-driven approach. Many donors are supporting or are interested in supporting Mekong related programs.

Current Status

- The Bank has taken a demand-driven approach to involvement with the MRC and Mekong initiative.
- MRC has approached the Bank/GEF for technical and financial support for a priority program -- strengthening member countries capacity in hydrological monitoring, supporting implementation of the Agreement in formulation of rules for equitable water sharing, and coordinating donor effects related to water utilization and protection. The program would also assist in facilitating wider consultations among beneficiaries and stakeholders.
- MRC has made an official request for a Project Preparation Grant (PPG) to prepare the above program. A PPG-block-B (\$350,000) was recently approved by GEF and co-signed by MRC, who is the executing agency for the grant. As a result, a number of donors has indicated to MRC their interest in co-financing. The Bank/GEF will supervise implementation of this PPG program.
-

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June 17, 1997



Record Removal Notice

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Subject / Title Briefs - Papua New Guinea: Lihir Gold Mine Project Russia: Prospective Kamgold Gold Mine (MIGA)				
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EUROPE AND CENTRAL ASIA REGION

Russia: Petroleum Joint Venture Project

Background/Context

Joint venture greenfield development of a giant N. Priobskoye oilfield in the Ob River floodplains of W. Siberia. Project sponsors: Yukos, a large Russian oil enterprise, and Amoco, a U.S. international oil company.

Project Summary

Proposed Bank support: US\$ 500 million primarily through guarantees; EA category A.

Issues

A number of NGOs have expressed the following concerns and claims:

- Risk of serious direct environmental damage (flora/fauna).
- Risks to indigenous people.
- Concern that the EA prepared by project sponsors will not be of sufficient quality to meet Bank requirements.
- Bank's energy program over-emphasizes production; neglects demand management and efficiency.

Current Status

- Sponsors have invested major resources over 2 years in preparation of a comprehensive EA expected to be complete in December 1996. Criticisms of project management in advance of EA.
- EA contains rigorous safeguards to minimize direct environmental disruption. Separate sponsors are establishing new, protected areas in project area.
- EA incorporates action plan to safeguard interests of local communities, consistent with Bank directives on local population (3261 km² project area contains population of only 560 people, 79 of whom are indigenous).
- Sponsors meet regularly with local communities, publish a newsletter, and have designed micro-projects to improve local conditions on an environmentally sustainable basis.
- Bank policies call for sponsors to prepare EA that meets all Bank and Russian requirements. NGOs provided input to the TORs for the EA. Third party consultants will monitor compliance.
- Bank is currently reviewing its energy strategies at country (Russia) and world-wide levels to take account of energy and environmental tariffs. Discussion of global strategy with interested NGOs and industry is underway.
- Project removed from MOS in June 97 and placed in very distant "hold position" in lending program due to reform slippages and escalating differences between Russian and foreign joint venture partners.

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June 17, 1997

SOUTH ASIA REGION

India: Coal Sector Rehabilitation Project

Background

The project aims to support the ongoing market-oriented sector reforms in the coal industry and provide financial and technical assistance to Coal India's efforts to transform itself into a commercially viable and self-sustainable company. The project would support the Government's broader economic reform effort by reducing the risk of a decline in indigenous capacity to supply the power sector and other industries with the coal they need before imports and production from private investments can fill the emerging supply gap.

Project summary

Board Date: August 1997
Loan/Credit Amount: US\$530 million IBRD loan and US\$2 million equivalent IDA credit, US\$530 million co-financing from JEXIM.
EA Category: A

Issues

- International and local NGOs have raised concerns about India's reliance on coal as its primary energy source and the global and local environmental issues associated with coal mining.
- NGOs have voiced concern about social issues, including resettlement and rehabilitation, indigenous peoples' and women's issues, and consultation and participation of project-affected people.

Current Status

- The project was appraised in March 1997 after the Operations Committee met to discuss the project.
- Environmental and social issues are currently being addressed under the Coal Sector Environmental and Social Mitigation Project (Cr. 2862-IN). Satisfactory implementation of this project and a report to the Board on the status of implementation is required before negotiations on the Coal Sector Rehabilitation Project. In addition, continued satisfactory progress of the Environmental and Social Mitigation Project is a pre-requisite for effectiveness. Finally, the two projects will be linked with cross-conditionality that specifies key performance and progress indicators for the Environmental and Social Mitigation Project which, if not met, would lead to suspension of the Coal Sector Rehabilitation Project.
- A Public Relations campaign has been initiated at Coal India, in consultation with officers at the Bank's New Delhi office and headquarters.
- A meeting took place in May with European NGOs. Bank staff and Coal India officers are continuing to meet with NGOs to respond to their concerns about the project.

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June 17, 1997

Bangladesh: Jamuna Bridge Project**Background/Context**

The construction of a major bridge across the Jamuna River would end relative isolation for 27 million people (among the poorest in the country), facilitate the transmission of natural gas and telecommunications, and help enhance the region's strong growth potential.

Project Summary

Board date FY 94; \$200M credit; EA Category: A

Issues

- An estimated 77,000 people will be affected by land acquisition, people affected have been compensated, as well as those affected after each of the next three years' floods.
- IDA is working closely with the Government to address issues concerning adequacy of compensation, bribery and corruption, and availability of information about grievance mechanisms.
- On August 26, 1996, the IDA's Inspection Panel registered a request from the Jamuna Char Integrated Development Project to investigate alleged omissions and failures of the project. IDA Management submitted its response to the Inspection Panel on September 20, 1996, indicating that it has complied or intends to comply with all relevant Bank policies. The Inspection Panel recommended, and the Board approved on April 3, 1997, that no inspection is needed at this time.

Current Status

- Impacts of bridge construction during 1996 have been surveyed. Char dwellers were also surveyed. Compensation of affected Char dwellers started in June and will continue to about August of this year.
- A Revised Resettlement Action Plan (RRAP) was adopted by the Government in October 1993, allowing affected people to benefit from the project, including erosion-affected people. The RRAP is being implemented.
- The Borrower has adopted and is implementing an Erosion and Flood Policy (approved Sept. 1996) for compensating erosion-affected people, including Char dwellers. The policy is satisfactory to IDA and the association and other cofinanciers are assisting Jamuna Multi-purpose Bridge Authority (JMBA) in its implementation.
- An Environmental Action Plan (EAP) has been prepared and is being implemented by relevant NGOs.
- A mid-term review of the project was carried out in March 1997, in which it was recommended that no major structural changes of the project are needed.

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June 17, 1997

Bhutan: Third Forestry Development Project (Cr. 2533-BHU)

Background

The project finances four components: (i) National Forest Management; (ii) Social Forestry; (iii) Afforestation/Reforestation and (iv) Institutional Strengthening. It aims to help Bhutan develop an approach for sustainable management and use of its forest resources in line with its national development priorities. The project includes under component (iii) rehabilitation of degraded forest lands, and under component (ii) agroforestry on private land and participatory forestry on public forest land through involvement of local communities to meet local needs.

Project Summary

Board date July 6, 1993; \$ 5.4M Credit, in co-financing with SDC Grant of SwF 4.07M; EA Category: B

Issues

There are currently no acute environmental issues.

Current Status

- The report of two environmental specialists on the MTR mission of November-December 1996 was circulated in the Bank in January 1997 and was found to have instituted sufficient environmental precautions, agreed with RGOB, to resolve the environmental concerns for the near-term.
- The two experts felt that *watershed concerns* are being addressed appropriately. Project-supported technical assistance in low-impact logging methods over the next three years will further improve the level of local expertise in ensuring the conservation of watershed values.
- Regarding *biodiversity concerns*, the specialists accepted the overriding consideration [which gave the justification for including the National Forest Management component in the project] that the managed harvest of wood is absolutely needed in Bhutan as a necessary function of the forest and that the new management introduced through the project is an improvement over the previously largely unplanned and unregulated system.
- The pattern of harvesting applied in the Forest Management Units (FMUs) - a matrix of small strip or patch cuts interspersed with substantially larger areas of undisturbed forest - and the very low level of exploitation of the forest resource as a whole - only 0.2 % of Eastern Bhutan's broad-leaved forests will be harvested in seven currently proposed FMUs over the next 10 years - satisfy biodiversity concerns.
- The client organization has agreed to introduce field trials to test alternative forest management systems, regeneration options, and environmental monitoring of operations and trials. These precautionary activities will also be assisted by project-supported, selective consultant inputs during the next three years.
- The sub-team further concluded that *cattle grazing*, rather than regulated commercial logging or even traditional unregulated wood use, has the most serious impact on biodiversity. Grazing damage is reduced under the forest management system being applied mostly by fencing regeneration areas.
- The project will be supervised again in May 1997.

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June 17, 1997

India: Coal Sector Environmental and Social Mitigation Project

Background

The overall objective of the project is to improve management of the environmental and social issues associated with production of coal by Coal India Limited (CIL), supported by appropriate policies for environmental mitigation, resettlement and rehabilitation of project-affected people, and community development. These policies will be tested in 25 coal mines, of which 24 will receive support under a Coal Sector Rehabilitation Project (CSR).¹

Project Summary

Board Date: FY96; \$63m IDA credit (total cost of \$84 m); EA Category A

Issues

- Domestic and international opposition to opencast coal mining in India is growing as a direct consequence of past failures by CIL to adequately address environmental and resettlement issues, and indirectly due to unresolved environmental issues associated with burning low grade coal in India's often inefficient power stations.
- Approximately two-thirds of India's 496 coal mines are underground, have low productivity, and in many cases are unprofitable--65% of India's coal comes from large, highly mechanized opencast mines which often have severe environmental and social impacts. Mine closures are inevitable if CIL's operations are to remain financially viable.
- The Bern Declaration and local NGOs have raised concerns regarding: (i) the lack of consultation/participation in preparing Resettlement Action Plans (RAPs) or Indigenous Peoples' Development Plans (IPDPs); (ii) the historically poor record of CIL with respect to resettlement and rehabilitation (R&R) and alleged flaws of CIL's revised R&R policy; and (iii) the need to restore incomes of people displaced by coal mining; and (iv) failure of the project to adequately address global issues.

Current Status

- The project supports development of institutional capacity within (and actions by) CIL to implement Environmental Action Plans, RAPs and IPDPs at the 25 mines within the rehabilitation project. The rehabilitation and mitigation projects will be linked through cross-conditionality, i.e. satisfactory progress with implementing these plans at each of the 25 mines will be a condition for continued Bank support for rehabilitation investments (see footnote).
- CIL's revised R&R policy self-imposes corporate responsibilities which greatly exceed minimum legal requirements for R&R. CIL has used a participatory approach in the development of the various plans.
- Project specific environmental and social mitigation costs are fully-accounted for; however, the economic costs of carbon dioxide emissions from the use of coal have not been considered.
- On June 9, 1997, the Bank issued Status of Implementation Note on CSESMP for the information of the Executive Directors.

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June 17, 1997

¹ The India Coal Sector Rehabilitation Project, expected Board Date of August 26, 1997, \$530m loan, \$2m credit (\$1,700m total cost), EA Category A.

June 17, 1997

India: National Thermal Power Corporation (NTPC) Power Generation Project

Background/Context

The project aims at improving commercial discipline in the Indian power system, helping NTPC to mobilize funding for its program of new power stations, upgrading the environmental performance of existing power stations and make its new power stations environmentally more sustainable and strengthening NTPC's environmental and resettlement and rehabilitation (R&R) management capability.

Project Summary

Board date June 93; \$400m loan; EA Category: A.

Issues

- As with the Coal Sector projects in general, NGOs raise concerns over India's reliance on coal as an energy source and the detrimental impacts on the global and local environment.
- The Singrauli area, where one project supported under this loan is located (Vindhyachal II), remains the subject of significant NGO concerns (Bern Declaration, Greenpeace and several local NGOs) as well as those raised recently by politicians, partly due to reports which noted adverse environmental and social consequences from past investments by Coal India, NTPC, UP State Electricity Board and several private industries in the area.
- NGOs have also voiced concerns over the extent of community participation and alleged harassment of villagers by the police and NTPC staff.

Current Status

- The environmental monitoring system under the Environmental Action Plan has demonstrated that most NTPC power stations (at 12 different locations in India) operate within the standards stipulated by the state Pollution Control Boards. A number of environmental projects to further improve performance are in various stages of implementation. NTPC has been asked to accelerate the implementation of some of the ash slurry recycling and close cooling water system projects, which are considerably delayed.
- New power stations are being designed using stricter standards.
- NTPC has been partially successful in implementing the various R&R action plans. The land-for-land option has proved to be difficult to implement in practice and the creation of viable alternative income generation schemes has been a difficult and time consuming process.
- At all sites, consultation has been taking place and at some sites has helped resolve remaining problems. (Examples are Farakka, Ramagundam, Kayamkulam and to a certain extent Talcher). However, particularly in the Singrauli area (including Vindhyachal II), the consultative process is not yet working very well, partially because of demands made by people living in areas affected by the project are well in excess of what can be offered under the agreed R&R policy and because a number of local groups have been filing cases in court. In January 1997, the Supreme Court dismissed a Special Leave Petition files by PAPs of the Vindhyachal II project. NTPC can now proceed with the resettlement and the implementation of various rehabilitation schemes. Consultation with PAPs has been intensified. Some progress has been reported by NTPC in the implementation of the resettlement and rehabilitation plans of PAPs of Rihand and Vindhyachal II and most PAPs are expected to relocate over the next few months.
- On May 2, 1997 the Inspection Panel notified the Executive Directors and the Bank President about the registration of a Request for Inspection by Ms. Madhu Kohli on behalf of a number of small and marginal cultivators in the Singrauli Region. The Management Response to the allegations was provided on June 3, 1997 and is now under consideration with the Inspection Panel.
- The situation in the Singrauli area, where part of the project is executed remains tense and there have been conflicting reports at events taken place at Vindhyachal on May 25, 1997 when NTPC together with the District Commissioner and local police proceeded with relocation of villagers after the Supreme Court dismissed a Special Leave Petition filed by PAPs of the Vindhyachal II Project. A Bank mission to investigate the case did not find evidence of police violence on May 25, 1997, except for one incident of the use of police force on June 9, 1997. However, reports remain conflicting. The mission also took note of a number of grievances from some villagers, which are now being addressed by NTPC. NTPC has reported that no force has been used and a number of people have shifted voluntarily both at Vindhyachal and in Rihand. Police presence at Vindhyachal is to ensure any avoidance of a law and order problem. The Bank has indicated to NTPC that the use of force is not acceptable. The incidents are now under review and the situation is closely monitored.

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June 17, 1997

India: Ecodevelopment Project

Background

This project aims to conserve biodiversity in seven globally significant protected areas in India through a strategy of eco-development. By increasing collaboration between local people and government managers, the strategy aims to address both the impact of local people on the protected areas and the impact of the protected areas on the local people.

Project Summary

Board Date September 5, 1996; Effectiveness Date December 27, 1997; EA: B

Concerns Expressed by NGOs

- Some local people have not been consulted during project preparation. Project preparation included participatory planning on an indicative basis involving only a sample of potential participants and used this to develop the strategic plan.
- Past confrontations between the state and local people in and around the protected areas (PAs).
- Resettlement.
- Resource rights of the indigenous peoples in and around the PAs.
- Little linkage with conservation, like past government program in eco-development.
- Dilution of protection efforts for other PAs.
- Extent to which local people participate in decisions on protected area management. Some NGOs advocate the concept of "joint protected area management", which would strengthen the extent of participation in protected area management decisions and open up the question of restoring resource rights. Other NGOs and many forestry officials currently oppose this concept, fearing that it would open a Pandora's box and undermine protection.
- Dependence on foreign agencies

Project Design Features Addressing Above Concerns

- Participatory planning and decisions by all local people involved in the project on specific project activities and investments during the project period.
The participatory planning and implementation support serving as mechanisms for conflict resolution
No involuntary resettlement and detailed guidelines for any voluntary relocation.
- Existing customary and other resource rights of indigenous peoples protected, although rights lost in the past not necessarily restored.
- Ecodevelopment investments explicitly linked to measurable reciprocal commitments by local people to support conservation.
- Steps to monitor staffing and non-project conservation expenditures, ensuring project would build upon rather than dilute existing protection efforts.

Recent Actions

The *project design* addresses most of the above issues, or at least provides mechanisms for further dialogue. Both Bank and Government efforts have therefore focused on improving the understanding of this design.

The *national and state governments' efforts* to improve understanding have included:

- dissemination of staff appraisal report, project summaries, translated text, etc. to NGOs, researchers, press, and local people
- ZOPPs workshops facilitated by professionals in each of the seven sites involving forestry staff, other government staff, NGOs, researchers, press, and local leaders
- preliminary meetings and participatory microplanning with some local communities
- co-sponsoring (with the Bank) meetings with concerned NGOs, individuals, and the press (at the national level in June and 1996 and in Karnataka, Bihar and West Bengal in September/October 1996, in Karnataka, Gujarat and Rajasthan in February 1997, and in Kerala and Madhya Pradesh in April 1997)
- Beginning in January 1997, the national level government coordinator has begun to play a more active role in handling NGO correspondence

Bank staff have supplemented these efforts with

- Providing ongoing clarification of the project design to the constantly changing teams of forestry officials (Due to normal rotation, over 50% of chief wildlife wardens and protected area field directors changed between project appraisal and negotiation, and lack of familiarity with the project design by these individuals has been the source of some of the misunderstandings. This situation was aggravated by the fact that the project coordination office lacked a director August - October, 1996.).
- Assisting with logistical arrangements for NGO workshops and dissemination of reports

Responding to letters from NGOs and others

Meeting informally with concerned individuals to maintain communication

- Rearranging supervision plans so that beginning in January 1997, the Bank's New Delhi Office (NDO) could play a greater role in interacting with local people, NGOs, government staff, researchers, the press, and other stakeholders
- Devoting extensive attention to project supervision during FY97, including visiting all seven project sites during the course of three missions. Mission documentation includes summaries of the discussions with NGOs, press, and local people.

Current Plans

The New Delhi Office is taking over the task management of the project as of July 1997 but headquarters staff will continue to be involved and provide continuity. The proposed supervision plan for FY98 would continue the intensive level of attention from Bank staff, with a focus on achieving results at the field level and a well-functioning monitoring and reporting system.

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June 17, 1997

India: Upper Krishna II Project

A separate note was sent to Mr. Wolfensohn on April 28, 1997, as part of the India Spring Meeting Briefing Package.

Project expected to close on June 30, 1997.

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June 17, 1997

LATIN AMERICA AND CARIBBEAN
REGION

Brazil: Gas Sector Development Project

Background

The project comprises construction of a pipeline from Santa Cruz in Bolivia to São Paulo in Brazil, continuing with a smaller diameter southern leg to Porto Alegre. The pipeline is 3,110 km in total, of which 2,547 km is in Brazilian territory. Only the Brazilian part will be financed by the Bank. The total investments in the pipeline, including financial costs but excluding phased compression costs, are estimated at about US\$ 2.0 billion of which about US\$ 1.5 billion would be in Brazil. The capacity of the pipeline will be 30 MM cm/d. The Bank financial support is limited to the Brazilian side of the pipeline.

Project Summary

Board Date: FY'98; \$ 330 million in IBRD loan and guarantee; EA Category A

Issues

- Crossing of sensitive environmental ecosystems such as the Pantanal, the Gran Chaco and Santa Cruz La Vieja National Parks (Bolivia) and Mata Atlantica Biosphere reserve and Aparados da Serra National Park in Brazil.
- Indigenous peoples territories will be crossed and new access roads may lead to conflicts.
- Construction and maintenance operations and crews may adversely affect small rural communities.
- Increased gas exploration and exploitation may lead to additional pressures on sensitive ecosystems, tropical forests and indigenous peoples.
- Uncontrolled downstream developments may cause additional impacts.

Current Status

- A full Environmental Assessment report has been prepared for the entire pipeline including both the Bolivian and Brazilian segments. Strategic upstream (in gas exploration areas in Bolivia) and downstream (delivery centers in Brazil) environmental assessment reports are also being completed.
- Detailed environmental management plans (EMPs) are being completed based on the same social and environmental criteria used in other Bank projects.
- A detailed set of environmental specifications during construction will be part of bidding documents including camp location and construction crew behavior guidelines; these specifications will be enforced during construction.
- An indigenous peoples' development plan is being prepared for the Bolivian as well as for the Brazilian side of the pipeline.
- No resettlement issues.

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June 17, 1997

Argentina/Paraguay Yacyreta II Hydroelectric Project

Background/Context

Large-scale hydroelectric bi-national project on the Paraná river bordered by Argentina and Paraguay. The project experienced cost-over runs and delays due to political and economic instability in Argentina in the early 1980's, and was revived in the mid-1980's with provisions to address environmental and resettlement issues. Sixteen (16) of the dam's 20 turbines are now operational and expected completion date is December 1998. The Governments of Argentina and Paraguay plans to privatize the facilities were rejected by both national legislatures on April 30, 1997.

Project Summary

The World Bank has approved four loans for the project totaling \$895 million. The last loan's Board Date: Nov. 92, US \$300m loan; total project cost approximately \$7 billion; EA category A.

Issues

- Compensation for involuntary resettlement of 50,000 people.
- Compensatory actions for loss of riverine forests and wetlands and adverse impact on fish population of the Parana river.
- Compensation for impacts of reservoir development on human health.

Current Status

- The borrower has been slow in financing commitments specified in a Resettlement and Environmental Management Program (EMP).
- In May 1996, Bank management agreed on a plan to complete pending actions related to elevation 76m. After some delay, because of lack of funds, implementation resumed in December 1996. An escrow account was established and funds are secured to complete all action by December 1997. As of May 30, 1997, 72% has been implemented.
- Bank management responded to a complaint issued by the Inspection Panel on October 31, 1996.
- Bank Management sent a Progress Report on the project to the Board on February 3, 1997.
- On January 20, 1997, Bank Management with the Government of Argentina on a Plan of Action to complete by December 1999 works and activities to mitigate effects of prolonged operation at elevation 76m. Details of the plan of action and financial arrangements for funding such plan were finalized on April 29, 1997. Implementation of the plan has started.
- Board agreed that the Inspection Panel should study the project. The Inspection Panel has started its work and should report to the Board in four months time.

Follow-up Actions

- Continued close supervision of environmental and resettlement components.

Contact: Vladimir Jadrijevic
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June 17, 1997



Record Removal Notice

File Title President Wolfensohn - Briefing Book for President's Meetings and Events - Meeting Material - United Nations General Assembly Special Session on Agenda 21 [UNGASS] - June 25, 1997 - File Contains Photographs		Barcode No. 30487997		
Document Date June 17, 1997	Document Type Briefs			
Correspondents / Participants				
Subject / Title Briefs - Mali: Sadiola Gold Mine Project (IFC) Bolivia: Compañía Minera del Sur (COMSUR) Project Guatemala: Basic Resources Ltd., Project Chile: Panguel Hydroelectric Project				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date June 18, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date June 18, 2025
Withdrawn by Diego Hernández	Date June 18, 2025			

Brazil: Rondonia Natural Resources Management (PLANAFLORO) Project

Background

The World Bank has financed two programs to promote sustainable management of natural resources in Rondonia. From 1981 to 1986, the Bank supported the POLONOROESTE program (US\$500m in Bank loans), which succeeded in protecting some indigenous lands and conservation units and encouraged more sustainable cropping patterns. However, the program is best remembered for the paving of the BR-364 highway, which was the pathway of the last groups of migrants flooding into the region, thus exacerbating many social and environmental problems. In 1992 a second project, PLANAFLORO, was approved for Bank financing, one of its main objectives being to address the social and environmental problems associated with in-migration and unsustainable agricultural and resource extraction practices. The centerpiece of PLANAFLORO is a zoning plan which divides Rondonia into different zones reserved for conservation (some 40% of the state), light development, and more intensive development.

Project Summary

Board date: September 12, 1992; US\$167m loan; EA Category A

Issues

- Implementation has been difficult with significant delays (particularly of the zoning component), strong resistance towards conservation-oriented components among powerful groups in the state, and strong local and international NGO criticism that the project has failed to provide better protection for fragile lands and traditional peoples.
- Even after bringing NGOs into the decision-making of the project, conflict continued, culminating in a request for an investigation by the World Bank Inspection Panel in 1995. In January 1996 the Board of Directors decided that a formal inspection would not go forward, but did ask the Panel to continue following the evolution of the project and report to the Board.
- Implementation problems have included lack of ownership among key stakeholders both at the community level and among politically more powerful groups; poor implementation capacity in relevant local institutions; and problems associated with the State's ongoing fiscal crisis and delays in the release of funds by the Federal government.

Current Status

- At the mid-term review in June 1996, a new, simpler design of the project emerged. Maintaining the original goals of the project, the new design shifted most of the development-oriented resources to demand-driven, community-based activities that had a stake in the conservation goals of the project. This element was accepted enthusiastically by the NGO community.
- The environmental protection components still lack full commitment and support by the State and Federal authorities. Since July 1996, the State Government together with Federal officials and NGO representatives have been working on a new governance scheme for the project.
- Although some claims about the degree of environmental degradation have been exaggerated, illegal logging and mining and some squatting is occurring on areas designated as conservation or indigenous lands. Before the Bank can approve the new project design and governance scheme, the State will need to demonstrate good faith in taking measures to prevent the serious instances of encroachment.
- The Executive Directors requested that the Inspection Panel visit Rondonia, which it did in early March 1997, and report on the project's status and NGO complaints.
- A draft amendment of the Loan Agreement for a one year project extension, has been prepared and sent to the Brazilian Ministry of Planning. This amendment is expected to be negotiated by mid-July 1997.

Follow-up

- Continued intense field-based supervision.

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June 17, 1997

Brazil: Itaparica Resettlement and Irrigation Project

Background

The Itaparica Hydropower Project on the Sao Francisco River displaced 8,100 families. This hydropower project was not financed by the Bank and closed in 1986. At that time there was no resettlement plan. The Government of Brazil supported by strong NGO involvement requested the Bank to finance the Itaparica Resettlement and Irrigation Project. This project has as principal objective to maintain or improve the displaced population's current standard of living. To achieve this objective the project finances: (a) irrigation and agricultural production services, including establishment of some 8,000 ha of irrigated farmland and agricultural production services; (b) other rural infrastructure and services, including rural housing, water supply, rural road construction, installation of electric power systems, and education, health and social services; (c) urban resettlement of the townships of Petrolandia, Itacuruba, Rodelas and Barra do Tarrachil, water supply and sanitation, and relocation of regional roads and power lines.

Project Summary

Board date: 11/17/87; total project costs \$ 303.7 million, specific investment loan; EA Category: C. Government regulations (Federal Law 6938 of 1981) required the preparation of an EA. As the project was already under construction when the law and its regulations were published, the borrower prepared an EA to satisfy its own regulations. This EA was only an add on and could not influence project design. Under current Bank EA procedures this approach is considered unacceptable practice.

Major Issues:

- Resettlement has been a nightmare since the early stages of the project;
- Government has continuously tried to drag its feet on the resettlement;
- The Bank has continuously tried to press the government to do a good job;
- Situation from the government side has slightly improved.

Current Status

- All 8,100 families have been resettled;
- Most of the infrastructure is complete;
- 58% of the settlers remain to be trained;
- It is expected that by mid-1997 the percentage of irrigated plots will reach 84%;
- Project will close officially on 12/31/97;
- NGOs would like the Bank to continue to provide leverage in relation to the government;
- On March 12, 1997, the Inspection Panel received a request for Inspection;
- Present file with the Inspection Panel is not because of a failure of the Bank, but to put pressure on the government to fulfill its obligations to the resettled people;
- Management response was sent to the Inspection Panel on April 29, 1997.
- The Brazilian Federal Government established in December 1996 (thus before the Request for Inspection) a high level Interministerial Committee. The main task of this Committee is to prepare a detailed Action Plan with schedules, budgets and origin of funds, etc. This Action Plan was delivered to the President of Brazil in May 1997.

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June 17, 1997

Grenada: OECS Ship Generated Waste Management Project

Background/Context

The OECS Ship Generated Waste Management Project for the Caribbean region involves 6 national components and a regional component for the development of solid ship-generated waste management facilities. One of these components is in Grenada.

Project Summary

Board Date: May, 1995; US\$50.5 million financed by EIB, IBRD, IDA, EU, GEF, CDB and OECS Governments. EA category: A.

Issues

- In early 1994, Grenada had plans to develop a new landfill site in the southernmost portion of Perseverance Estate. In May of that year, the Bank informed the Government of Grenada that the project could not support a landfill at this location because it would destroy part of one of only two Grenada Dove habitats (a critically endangered species totaling only some 70 birds, approximately 20 being at the site at issue). The Bank advised the Government to find an alternative landfill site and that both Dove habitats (Mt. Hartman and Perseverance) should be protected. The GEF added US\$200,000 to the project for a subcomponent to provide on-the-ground protection to the main Grenada Dove habitat (about 50 birds) at the 60 ha Mt. Hartman National Park. The remaining Dove population lives on the Government-owned Perseverance Estate and the adjacent privately-owned Woodford Estate.
- In October 1994, the Government (not the current government) allowed a private firm with a long-standing concession to develop a quarry in the northern portion of Perseverance Estate which resulted in destruction of Dove habitat and fragmentation of remaining habitat. Grenada Doves still occur in both remaining patches of habitat on the Estate but their survival is precarious. However, there are definitely no Grenada Doves, nor anything resembling suitable habitat, in the now cleared northern section of Perseverance Estate.
- To date, the Government has not found an alternative landfill site that is both technically and politically acceptable. Accordingly, the Government is now proposing to use about 10 ha of the cleared quarry portion of Perseverance Estate as a landfill site.
- If the 1994 clearing at Perseverance Estate anticipated the landfill development, the Bank would be precluded from financing the Grenada component because of the provisions of OP 4.04: *Natural Habitats*. Although no Bank funds are financing the national component for Grenada, the Bank is involved as an Implementing Agency for GEF funds for this component (\$1.2 mil.).
- The Borrower and the Bank agreed to undertake further review to determine whether the modified Perseverance site was indeed the best available alternative for the landfill. Mitigation measures, including a species management plan, are to be developed for the Grenada Dove, preferably to include all existing Dove locations.

Current Status

- A recent internal review found that since the Government that permitted clearing in 1994 was different from the one deciding on the landfill development, it would be difficult to determine that the purpose of the clearing was to force development of the landfill at that particular estate.
- The project has recently been declared effective and disbursement conditions introduced that include submission of satisfactory EAs and final landfill selection on that basis.
- The Government has declared the remaining fragmented habitat at Perseverance as a National Park and is negotiating to purchase contiguous habitat in private lands to add to the Park. It has also declared its commitment to protecting Dove populations in association with the proposed landfill site at Perseverance.
- A consultant has undertaken a review comparing alternative landfill sites on environmental, economic and social grounds. The review found that Perseverance site is indeed optimal. However, appropriate measures to protect the remaining Dove habitat would have to be implemented with vigor. If such measures cannot be taken or are found to be too risky, an alternative site--Meadows--may be the best option.
- A meeting in Washington on April 1997, the Bank has confirmed with leading conservation NGOs and Dove experts that the most feasible alternative is to locate the landfill at the cleared part of the Perseverance Estate. However, it was also agreed that a comprehensive Grenada Dove species recovery action plan will be developed and partly supported by GEF.
- A Dove expert has already been fielded to Grenada and is expected to provide draft species recovery plan and other Dove survival related outputs.

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June 17, 1997

Guatemala: Chixoy Hydroelectric Project

Background/Context

The World Bank and the Inter-American Development Bank financed a hydroelectric dam in the Guatemalan highlands in the late seventies. The first World Bank loan for the project was approved in 1978. The dam had serious cost overruns, and the project completion report judged the project unsatisfactory from an economic and financial point of view. The project was closed in 1989. In 1996, Witness for Peace, an NGO group, published a report entitled "A People Damned" in which it claimed that the Bank's support for the project and the associated resettlement was linked to the murder of 177 women and children in the community of Rio Negro and it suggested that Bank officials ignored the massacre. Mr. Wolfensohn ordered an internal inquiry and asked a high level Bank group to visit Chixoy in July 1996. On its return, the Bank group reported that at the time of the massacre--and for some time after-- the civil disorders reported in the project area were considered part of widespread insurgency and counterinsurgency actions carried out in Guatemala in the 1980s which led to the displacement of an estimated one million people and the deaths of perhaps 200,000 peasants and indigenous people, among them people in Rio Negro. Furthermore, although Bank staff at that time were aware generally of violence in the area, neither Bank staff nor other observers directly associated this violence with the project.

However, the Bank team that visited Chixoy in July 1996 confirmed that some aspects of the resettlement plan had not been completed. The team made recommendations for completing the resettlement plan; the Government is now implementing such recommendations which the Bank is monitoring very closely.

Project Summary

Project is closed.

Issues

- Several aspects of the resettlement program still need to be completed. These deal mainly with (a) the provision of farming land to those resettled at Pacux; (b) titling of house lots and agricultural land; (c) the completion of electricity and water distribution systems; (d) compensation to a few persons for the loss of their former homes or other property incurred as a result of the process of resettling and; (e) the provision of construction materials to the offspring of those resettled in one community.

Current Status

The Bank retained the services of the Pastoral Social of Alta Verapaz, a well respected Guatemalan NGO, to facilitate the completion of the resettlement activities. The current status is as follows:

- The Peace Commission, FONAPAZ, and the electric utility INDE have agreed to purchase the farming land needed for those resettled at Pacux. Although suitable land is not plentiful in the area, a particular farm has been identified and accepted by the community.
- Titling is proceeding as quickly as legal procedures allow.
- FONAPAZ has also agreed to finance the water system needed at Chicuxtín and provide the building materials for El Naranjo.
- INDE is in the process of completing the designs needed to build the electric distribution networks, and
- A solution is sought to complete payment of compensation for damages, which is complicated by the fact that the affected parties do not have the documentation needed to prove that compensation is due to them.
- It is expected that all resettlement activities will be completed by the end of 1997.

Contact Martin Staab
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June 17, 1997

OFFICE MEMORANDUM

DATE: June 19, 1997

TO: Mr. James D. Wolfensohn, EXC

FROM: Andrew Steer, ENVDR *AS*

EXTENSION: 33299

SUBJECT: **Acute List: Projects with Significant Environmental and Social Issues**

Attached is this month's edition of the "Acute List" -- projects considered to be sensitive and controversial from an environmental and/or social perspective.

Of the 27 listed projects, 15 deserve the closest attention:

- Chad/Cameroon: Petroleum Pipeline and Development Project
- Cameroon: Transport Sector Program
- Lesotho: Highlands Water Project
- Lao PDR: Nam Theun 2 Hydropower Project
- Papua New Guinea: Lihir Gold Mine
- India: Coal Sector Rehabilitation Project
- India: Coal Sector Environmental and Social Mitigation Project
- India: National Thermal Power Corporation (NTPC) Power Generation Project
- India: Upper Krishna II Project
- Argentina/Paraguay: Yacyreta II Hydroelectric Project
- Brazil: Gas Sector Development Project
- Brazil: Rondonia Natural Resources Management Project (PLANAFLORO)
- Brazil: Itaparica Resettlement and Irrigation Project;
- Chile: Pangu Hydroelectric Project;
- Guatemala: Basic Resources Ltd.

In each case, the projects have complex technical issues to be resolved involve institutional risk and are subject to significant criticism from NGOs.

Attachments:

cc: Messrs. Maurice Strong (EXC); Caio Koch-Weser (MDOMD)

ACUTE LIST

(* indicates projects needing especially close attention)

Page No.**AFRICA REGION****Pipeline**

- **CHAD/CAMEROON:** Petroleum Pipeline and Development Project *
- **ETHIOPIA:** Energy II Project (Gilgel Gibe Hydroelectric)
- **LESOTHO:** Highlands Water Project *
- **SENEGAL, MALI, MAURITANIA:** OMVS Regional Hydropower Project

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Active

- **CAMEROON:** Transport Sector Program *
- **MALI:** Sadiola Gold Mine

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EAST ASIA AND PACIFIC REGION**Pipeline**

- **LAO PDR:** Nam Theun 2 Hydropower Project *
- **SOUTH EAST ASIA:** Developments Affecting the Mekong River Basin

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Active

- **PAPUA NEW GUINEA:** Lihir Gold Mine *

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EUROPE AND CENTRAL ASIA REGION**Pipeline**

- **RUSSIA:** Petroleum Joint Venture (removed from MOS)
- **RUSSIA:** Prospective Kamgold Gold Mine

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SOUTH ASIA REGION**Pipeline**

- **INDIA:** Coal Sector Rehabilitation Project*

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Active

- **BANGLADESH:** Jamuna Bridge Project
- **BHUTAN:** Third Forestry Development Project
- **INDIA:** Coal Sector Environmental and Social Mitigation Project*
- **INDIA:** National Thermal Power corporation (NTPC) Power Generation Project*
- **INDIA:** Ecodevelopment Project
- **INDIA:** Upper Krishna II Project*

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LATIN AMERICA AND CARIBBEAN REGION**Pipeline**

- **BRAZIL:** Gas Sector Development Project*

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Active

- **ARGENTINA/PARAGUAY:** Yacreta II Hydroelectric Project*
- **BOLIVIA:** Compañia Minera del Sur (COMSUR)
- **BRAZIL:** Rondonia Natural Resources Management Project (PLANAFLORO)*
- **BRAZIL:** Itaparica Resettlement and Irrigation Project*
- **GRENADA:** OECS Ship Generated Solid Waste Management
- **GUATEMALA:** Basic Resources Ltd.*

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Closed

- **GUATEMALA:** Chixoy Hydroelectric Project
- **CHILE:** Pangu Hydroelectric Project *

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AFRICA REGION

Chad/Cameroon: Petroleum Pipeline and Development Project

Background/Context

Development of oil fields in southern Chad, installation of 1050 km pipeline through Cameroon to the Atlantic coast and construction of marine off-loading facilities. Project (US\$3.5 billion) sponsored by Exxon, Shell and Elf (US\$3.5). Sponsors to invest \$2.4 billion. Export credit agencies, bilateral and multilateral agencies to provide balance.

Project Summary

Board Date: Board Date: July 1998; \$100 million IDA credits, IFC loans; EA Category A. EA release expected Fall 97.

Issues

- Potential impacts on health (Sexually Transmitted Diseases; AIDS), biodiversity and secondary impacts on local populations (e.g., effects of labor migration on project areas). Limited resettlement expected.
- Last portion of the pipeline passes through the tropical rainforest of the Congo Basin.
- Bank concern about whether revenues will be used by Chad to benefit population at large.
- NGOs criticize the Bank for threatening the creation of a second Ogoni land situation (Nigeria: Shell).

Current Status

- Reputable environmental engineering firm hired to conduct EAs.
- Draft EA reports (Chad and Cameroon) under review by the two governments. Release expected mid-1997.
- Bank staff unofficially reviewed Chad EA which does not yet contain an EMP (Environmental Management Plan).
- EMPs are under preparation.
- Pipeline route designed to reduce potential adverse environmental impacts.
- The Bank is preparing technical assistance projects for Chad and Cameroon to increase government's capacity to monitor and help to mitigate environmental and social impacts of the project.
- Governments, with Bank financing, appointed panel of environmental experts to assist governments.
- The Bank and Chad are discussing a strategy to promote productive use of petroleum revenues to benefit the population at large.

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June 17, 1997

Ethiopia: Energy II Project (Gilgel Gibe Hydroelectric)**Background/Context**

180 MW hydroelectric facility located on the Gilgel Gibe River in southwestern Ethiopia, a tributary of the Omo River which flows into Kenya's Lake Turkana. Initially started with North Korean assistance, diversion channels, construction camp and 230 kV line to Addis Ababa already in place. Bank financing required to finish construction.

Project Summary

Board presentation of FY98.

Issues

- Involuntary resettlement of 20,000 people in area with political/ethnic sensitivities
- Riparian issues with Kenya
- Loss of 300 ha of riverine forest, habitat of endangered species
- Increased risk of water-borne and sexually transmitted diseases

Current Status

- Environmental Assessment is adequate and completed
- Riparian issues with Kenya are resolved (only 0.17% flow reduction will occur in the Omo River). Kenya has filed no objection
- Large buffer zone around reservoir will compensate for lost riverine habitat and provide a habitat for endangered species
- This buffer zone will also limit access to population and thus minimize exposure to bilharzia and malaria vectors (bilharzia and malaria are hyper-endemic in project area)
- Board presentation deferred to permit adequate completion of EA and resettlement plan (RAP)

Follow-up

- Satisfactory completion of EA and RAP.

Contact: Alfred Gulstone
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June 17, 1997

Lesotho: Highlands Water Project

Background/Context

Very large water transfer project in Lesotho to change the course of water flow from the south into South Africa towards the north. The first phase of this project, also financed in part by the Bank, experienced serious social problems (including loss of life) as a result of poor planning and slow implementation of resettlement. International advocacy NGOs have been highly vocal critics of the first phase and continue criticism as second phase approaches appraisal.

Project Summary

Phase IA. Total cost of the water transfer project exceeds US\$2.5 billion mostly financed by South Africa. EA category A. Phase IB costs a further \$2.2, also mostly financed by S.A.

Issues

- Involuntary resettlement;
- Compensation for loss of agricultural and grazing land;
- Locating land for resettlement;
- Increase of social diseases (sexually transmitted disease and substance abuse);
- Potential extinction and endemic and highly endangered species (Maloti Minnow, a fish species);
- Loss of habitat for other rare animals and plants.

Current Status

- Borrower had difficulty in implementing resettlement and development plans in earlier phases thereby attracting considerable international criticism;
- Bank staff has taken a more active role in monitoring environmental and social studies for the second phase;
- Bank has required borrower to correct problems in the first phase before approval of second phase;
- EA report and resettlement plans have been completed and reviewed favorably by international reviewers;
- Environmental Action Plan is being refined based on comments from outside reviewers, including local and international NGOs;
- Appraisal Mission scheduled for June/July 1997.
- At present the project is reportedly handled well and there are no new problems. The project has been kept on the acute list because of its high visibility.
- Second phase preparation has been thorough, NGOs have been intensively informed of progress and all parties now want to ensure that second phase improvements are retrofitted to ongoing implementation in Phase I area.

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June 17, 1997

Senegal, Mali, Mauritania: OMVS Regional Hydropower Project

Background

The proposed OMVS Regional Hydropower Project will finance the installation of a hydropower 200 MW plant at the existing Manantali Dam on the Senegal River (finished in 1988) and transmission lines to Bamako, Dakar and Nouakchott. In addition to the benefits of power supply, the project aims to alleviate a host of environmental and social problems in part caused by the Manantali Dam and the Diama Dam (further downstream). The Bank has not been involved in constructing these dams, but the project provides a good opportunity to address problems caused by these dams, including (i) outbreak of intestinal bilharzia; (ii) substantive adverse impacts on flood recession agriculture affecting a large number of people; (iii) impacts on dry season pastures for herders; (iv) impacts on floodplain fisheries - a major animal protein source for local communities; (v) impacts on village drinking water supplies, (vi) impacts flood forests; and (vii) disruption of the migratory routes of commercial fish species into and out of the Senegal River delta.

Project Summary

Negotiations: May 12-16, 1997. Expected Board date: June 24, 1997; the Bank finances only 8% or US \$36 million of the US\$444 million project costs; EA Category A.

Major Issues:

The main concerns are:

Assurance that the water management optimization program for the Manantali Reservoir will be implemented on the longer term. The task team responded that they would use various means to make sure that the operator of the dam would implement the agreed water management optimization program on a short, medium and long-term basis. This includes: (i) ensuring during negotiations and supervision mission that an adequate environmental unit is established and functional within the OMVS; (ii) a Loan Agreement stating that an agreement should be reached by the three governments before project completion on operational rules of the dam (Water Charter), stipulating in detail the creation of an optimal artificial flood from a hydropower, irrigation and downstream users perspective; (iii) a contract with the private project operator, including similar clauses and incentives; (iv) ensuring that the views of local coordination committees, which represent the local communities, are taken into account in the management of the Manantali Dam; (v) leverage through upcoming projects (e.g. the Valley Development Project); and (vi) ensuring that agreements are followed during project supervision. A meeting between the task team and the US ED Office, including staff from the Treasury, EPA, USAID was held on April 23, 1997. The US ED's Office commended the project team for having done an excellent job by addressing the environmental and social issues caused by the existing Manantali Dam in the design of the Regional Hydropower Project. They commented that the Bank project has gone further in this respect than any other previous Bank project. The UK ED provided very positive comments of a similar nature.

The intestinal bilharzia outbreak around the Manantali Reservoir and Diama Reservoir. The intestinal bilharzia in the Diama Reservoir area is much more serious than around the Manantali Reservoir. Thousands of people could be killed if no adequate action is taken. The Project design takes the control of intestinal bilharzia fully into account through a cost-effective monitoring system (monitoring of bilharzia snail vector and human populations after release of the artificial flood and minor water level fluctuations to control the snails) and treatment of infected people by the Mali Schistosomiasis Program; the project finances a cost-effective bilharzia snail vector and human population monitoring program on the Senegal side of the Diama Reservoir following water level fluctuations in the reservoir (the disease does not yet occur on the Mauritanian side). The project also finances five pilot projects around Lac de Guiers and the Canal de Taouey - the most heavily infected areas. The EU is financing the ESPOIR project and will be the implementing agency for this component. Further actions will be incorporated in the proposed Health Sector Integrated Project under preparation.

Current Status

- The issues in relation to the creation of the artificial flood and the intestinal bilharzia problems were discussed in December 1996 in Dakar with ENDA (one of the largest NGOs in West Africa) on April 23, 1997, with US ED Office and in the afternoon on the same date with the Bank Information Center (NGO) in Washington DC. All three parties were satisfied with the proposed actions;
- Agreements were sought during negotiations in May 1997 on TORs and arrangements for the implementation of the water management optimization program (Water Charter), which should ensure the creation and maintenance of an adequate artificial flood; health mitigation measures financed under the project will be implemented; and that an adequate functional environmental unit will be established and maintained in the OMVS;

The first artificial flood will be created and its impacts monitored in the rainy season of 1997. A real time flood forecasting system is being established to create an optimal artificial flood.

tact Philippe Durand
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June 17, 1997

Cameroon: Transport Sector Program

Background/Context

The Congo Basin contains the second largest primary tropical forest in the world (6 million ha). Among African countries, Cameroon and Zaire support the greatest concentration and diversity of forest-dwelling primates, large mammals, birds, reptiles and plant species. Critical forest habitat is disappearing at an alarming rate; CFA devaluation has enhanced the demand for logging in CFA countries. These concerns were raised with emphasis during the Board presentation of the Transport Sector Project and are being addressed partly under the project and primarily through a broad policy dialogue covering forest and biodiversity management issues.

Project Summary

Transport Sector Project. US\$60.7 million equivalent of IDA credit. Approved May 30, 1996. US ED voted against it. Before Board German ED threatened to do the same. Detailed information was sent to the German ED office who then voted for the project. The Germans are a major partner in Cameroon and have provided large funds and TA.

Issues

- Government commitment to biodiversity conservation is not trusted by NGOs and questioned by some Bank staff.
- Logging concessions are known to have been granted without competitive bidding to loggers. This violates agreed forestry policy.
- NGOs claim the Bank did not follow its environment policies and will finance the Abong-Mang to Lomie road which directors of African Development Bank had rejected in 1991 because of negative environmental impacts. These claims are untrue as the credit only includes maintenance and rehabilitation. No new roads are planned under the project. Loan will not be effective before an environmental operational manual, is approved.

Current Status

- Bank policy dialogue with the Government has recently broadened to cover forest and biodiversity management issues.
- The Bank has also entered into broad dialogue with international and African NGOs on approaches to biodiversity conservation in the Congo Basin, including Cameroon.
- Environmental capacity building in key sector institutions is underway. A regional GEF project in preparation seeks to create regional capacity to manage environmental information.
- Environmental Mitigation Plan for Road Maintenance was completed in mid-February 1997.
- TOR for Sectoral Environmental Assessment (SEA) has been agreed on by the Government and the Bank.
- Conditions for project effectiveness were met and the project became effective on April 24, 1997.
- Letter of invitation to carry out SEA has been sent to consultants on the short list.

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June 17, 1997

Mali: Sadiola Gold Mine Project (IFC)

Background

A private open cast, gold mining project in western Mali in which the Government of Mali has a major equity holding. The project is an open-cast mine utilizing a cyanide agitation leach operation. The project's viability depends upon the import of water via a pipeline from the Senegal River. This pipeline is now complete, and the mine will start producing gold by the end of 1996.

Project Summary

Board date Dec. 94; loan of \$35m and equity investment of \$4.8m; EA Category A.

Major Issues

- The construction phase of the project - (now completed) - has attracted thousands of immigrants which has increased the area's population from approximately 800 to 8,000 people.
- The Government of Mali has issued a written report on the need to relocate the two traditional villages close to the mine as well as the immigrants.
- The resettlement plan for the traditional villages and immigrants is being prepared; however, the exact timing for the resettlement is unknown although it will take place in 1997.

Current Status

In November 1996, the project and the government decided to move the village of Sadiola and in March to also move the village of Farabakouta.

Follow-up

- A socio-economic study was initiated in October 1996 and submitted to IFC for review in April 1997. The study provides the needed technical data necessary for preparation of a detailed Resettlement Action Plan. After IFC comments on the study, the project sponsor will prepare such a plan.

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June 17, 1997

EAST ASIA AND PACIFIC

LAO PDR: NAM THEUN 2 HYDROELECTRIC PROJECT

ao PDR: Widespread Poverty: GDP per capita below \$400
 Growth Options: (a) Export of hydropower; and (b) Export of tropical hardwoods

Background

- NTEC (75% equity): Transfield Holdings Ltd., EDF, Italian-Thai Development, Jasmine International, Phatra Thanakit; and Government of Lao PDR (25% equity)
- Reservoir 450 sq.km., Powerhouse 680MW, 140 km transmission lines
- Project costs: approximately \$1.3 billion
- Project benefits: (a) Economic -- government revenue \$20m p.a. to \$100m p.a. (nominal) potentially for poverty alleviation; (b) Conservation of Watershed; (c) Private sector participation in Lao PDR; (d) Environmental -- use of clean, renewable resource (hydropower) to meet increasing energy demand in Thailand

Proposed NT2 Project:

Project Summary: Not in the pipeline (therefore no Board date set); possible IBRD partial risk guarantee (EA Category: A); possible IDA credit for Social and Environmental Project; IFC Type 'A' and 'B' loans; MIGA insurance. Internal go / no-go decision (whether to proceed with project preparation) set for Aug / Sep 1997.

Issues

Project Impacts

- Environment -- biodiversity; downstream flooding; water quality
- Social (Significant Cultural Diversity) -- Resettlement of approx. 4,400 people; 5,000 people live in watershed; 20,000 + people downstream; people living in/around transmission lines; and large influx of foreign workers.
- Institutional -- Lao PDR capacity to implement management/mitigation plans
- Environmental/Social -- ability to protect watershed; restore and improve living standards for resettled people; minimize adverse downstream impacts
- Economic/Financial -- ability of GOL to allocate resources to poverty alleviation; macroeconomic/ microeconomic impacts of large project in a small country.

Current Status

Bank Group Involvement

Bank and IFC support contingent on:

- Government Studies -- (a) Study of Alternatives; (b) Environmental and Social Action Plan for Watershed Areas and Corridor Extensions; and (c) Economic Impact Study
- NTEC Studies -- (a) Environmental Assessment; and (b) Resettlement Action Plan

Public Consultation and Participation

- Public consultations at local, regional, and national levels to play an important part in all 5 studies listed above

Bank International Advisory Group

- **Objectives:** Advise the Bank on how we can improve the handling of environmental and social issues in Nam Theun 2 and more broadly in hydropower projects the Bank supports worldwide.
- **Output:** First mission to Lao PDR / project site from May 29-June 7. Report expected at end of July, 1997.

Government Panel of Experts:

- First visit of Panel of Environmental and Social Experts completed in February 1997. Report publicly released. Second visit scheduled for July 1997.
- Panel to review Dam Safety Issues is to be constituted.

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June 17, 1997

South East Asia: Developments Affecting the Mekong River Basin

Background/Context

In 1995, Cambodia, Laos, Thailand and Vietnam signed an Agreement on Cooperation for Sustainable Development of the Mekong Basin. The Agreement established the Mekong River Council (a policy making body at ministerial level), and the Mekong River Commission (MRC, at vice-ministerial level), which is supported by its technical arm, the Mekong Secretariat (MS). China and Myanmar are now observers to the MRC. The MRC has two priority programs: A Basin Development Plan (BDP) and a Program to set up rules for water utilization. UNDP is playing a lead role in assisting BDP efforts.

Project Summary

The Bank is not involved in any significant Mekong development programs at this stage.

Issues

- NGO community concerned about environmental/social impacts of development projects, especially in energy, transport and infrastructure sectors, and about access to information and consultations.
- NGOs wish to see the Bank play a proactive role in influencing the MRC and development plans in the basin. But MRC is concerned about the Bank and other donors playing such a role, and about donor-driven approach. Many donors are supporting or are interested in supporting Mekong related programs.

Current Status

- The Bank has taken a demand-driven approach to involvement with the MRC and Mekong initiative.
- MRC has approached the Bank/GEF for technical and financial support for a priority program -- strengthening member countries capacity in hydrological monitoring, supporting implementation of the Agreement in formulation of rules for equitable water sharing, and coordinating donor effects related to water utilization and protection. The program would also assist in facilitating wider consultations among beneficiaries and stakeholders.
- MRC has made an official request for a Project Preparation Grant (PPG) to prepare the above program. A PPG-block-B (\$350,000) was recently approved by GEF and co-signed by MRC, who is the executing agency for the grant. As a result, a number of donors has indicated to MRC their interest in co-financing. The Bank/GEF will supervise implementation of this PPG program.
-

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June 17, 1997

Papua New Guinea: Lihir Gold Mine Project

Background

Lihir is estimated to have the world's second largest gold reserves and, upon full operation, should be the largest gold mine in PNG. Mine construction began in October, 1995 and is currently approximately 75 percent complete. Some mining operations have commenced.

Project Summary

Board date May 95; loan guarantee for \$76.7m for 15 years.

Issue

- Substantial impacts including: land and water impacts from the mine; socio-economic impacts from population increases, and submarine impacts resulting from disposal of tailings.

Current Status

- MIGA's Environmental Advisor (IFC) and a MIGA staff member visited the mine in July 1996. The project was found to be in full compliance with relevant PNG legislation and Bank Environmental policies and guidelines.
- An independent consultant has recently concluded that the project complies with relevant local and international conventions and treaties.
- MIGA receives monthly reports on the project from the investor.

Follow-up

- Need to carefully monitor adequacy of pollution control program for treatments of waters.
- Possible visit by specialist to discuss current status and adequacy of mitigation measures.

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June 17, 1997

EUROPE AND CENTRAL ASIA REGION

Russia: Petroleum Joint Venture Project

Background/Context

Joint venture greenfield development of a giant N. Priobskoye oilfield in the Ob River floodplains of W. Siberia. Project sponsors: Yukos, a large Russian oil enterprise, and Amoco, a U.S. international oil company.

Project Summary

Proposed Bank support: US\$ 500 million primarily through guarantees; EA category A.

Issues

A number of NGOs have expressed the following concerns and claims:

- Risk of serious direct environmental damage (flora/fauna).
- Risks to indigenous people.
- Concern that the EA prepared by project sponsors will not be of sufficient quality to meet Bank requirements.
- Bank's energy program over-emphasizes production; neglects demand management and efficiency.

Current Status

- Sponsors have invested major resources over 2 years in preparation of a comprehensive EA expected to be complete in December 1996. Criticisms of project management in advance of EA.
- EA contains rigorous safeguards to minimize direct environmental disruption. Separate sponsors are establishing new, protected areas in project area.
- EA incorporates action plan to safeguard interests of local communities, consistent with Bank directives on local population (3261 km² project area contains population of only 560 people, 79 of whom are indigenous).
- Sponsors meet regularly with local communities, publish a newsletter, and have designed micro-projects to improve local conditions on an environmentally sustainable basis.
- Bank policies call for sponsors to prepare EA that meets all Bank and Russian requirements. NGOs provided input to the TORs for the EA. Third party consultants will monitor compliance.
- Bank is currently reviewing its energy strategies at country (Russia) and world-wide levels to take account of energy and environmental tariffs. Discussion of global strategy with interested NGOs and industry is underway.
- Project removed from MOS in June 97 and placed in very distant "hold position" in lending program due to reform slippages and escalating differences between Russian and foreign joint venture partners.

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June 17, 1997

Russia: Prospective Kamgold Gold Mine (MIGA)

Background

Kamgold has proposed an underground gold mine in the Kamchatka peninsula. Kamgold is a joint venture between investors from the United States and Russia. Feasibility studies were completed in 1995.

Project Summary

MIGA anticipates commencing its underwriting of this project in the near future.

Issue

- Proposed mine is near a UNESCO-designated World Heritage Site.
- The International Union for the Conservation of Nature (IUCN), a non-governmental organization, passed a resolution against the project at the 1996 World Conservation Congress.
- Project reportedly has strong support from the local Russian authorities, and was on the agenda of the bilateral Gore-Chernomyrdin meetings in May 1997.

Current Status

- While the IUCN is reportedly reassessing its position in light of more recent information made available by the project sponsors, the proposed investment is a potential flashpoint. The aggressive investor, backed by a Washington law firm, can be expected to actively pursue MIGA support.

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June 17, 1997

SOUTH ASIA REGION

India: Coal Sector Rehabilitation Project

Background

The project aims to support the ongoing market-oriented sector reforms in the coal industry and provide financial and technical assistance to Coal India's efforts to transform itself into a commercially viable and self-sustainable company. The project would support the Government's broader economic reform effort by reducing the risk of a decline in indigenous capacity to supply the power sector and other industries with the coal they need before imports and production from private investments can fill the emerging supply gap.

Project summary

Board Date: August 1997
Loan/Credit Amount: US\$530 million IBRD loan and US\$2 million equivalent IDA credit, US\$530 million co-financing from JEXIM.
EA Category: A

Issues

- International and local NGOs have raised concerns about India's reliance on coal as its primary energy source and the global and local environmental issues associated with coal mining.
- NGOs have voiced concern about social issues, including resettlement and rehabilitation, indigenous peoples' and women's issues, and consultation and participation of project-affected people.

Current Status

- The project was appraised in March 1997 after the Operations Committee met to discuss the project.
- Environmental and social issues are currently being addressed under the Coal Sector Environmental and Social Mitigation Project (Cr. 2862-IN). Satisfactory implementation of this project and a report to the Board on the status of implementation is required before negotiations on the Coal Sector Rehabilitation Project. In addition, continued satisfactory progress of the Environmental and Social Mitigation Project is a pre-requisite for effectiveness. Finally, the two projects will be linked with cross-conditionality that specifies key performance and progress indicators for the Environmental and Social Mitigation Project which, if not met, would lead to suspension of the Coal Sector Rehabilitation Project.
- A Public Relations campaign has been initiated at Coal India, in consultation with officers at the Bank's New Delhi office and headquarters.
- A meeting took place in May with European NGOs. Bank staff and Coal India officers are continuing to meet with NGOs to respond to their concerns about the project.

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June 17, 1997

Bangladesh: Jamuna Bridge Project

Background/Context

The construction of a major bridge across the Jamuna River would end relative isolation for 27 million people (among the poorest in the country), facilitate the transmission of natural gas and telecommunications, and help enhance the region's strong growth potential.

Project Summary

Board date FY 94; \$200M credit; EA Category: A

Issues

- An estimated 77,000 people will be affected by land acquisition, people affected have been compensated, as well as those affected after each of the next three years' floods.
- IDA is working closely with the Government to address issues concerning adequacy of compensation, bribery and corruption, and availability of information about grievance mechanisms.
- On August 26, 1996, the IDA's Inspection Panel registered a request from the Jamuna Char Integrated Development Project to investigate alleged omissions and failures of the project. IDA Management submitted its response to the Inspection Panel on September 20, 1996, indicating that it has complied or intends to comply with all relevant Bank policies. The Inspection Panel recommended, and the Board approved on April 3, 1997, that no inspection is needed at this time.

Current Status

- Impacts of bridge construction during 1996 have been surveyed. Char dwellers were also surveyed. Compensation of affected Char dwellers started in June and will continue to about August of this year.
- A Revised Resettlement Action Plan (RRAP) was adopted by the Government in October 1993, allowing affected people to benefit from the project, including erosion-affected people. The RRAP is being implemented.
- The Borrower has adopted and is implementing an Erosion and Flood Policy (approved Sept. 1996) for compensating erosion-affected people, including Char dwellers. The policy is satisfactory to IDA and the association and other cofinanciers are assisting Jamuna Multi-purpose Bridge Authority (JMBA) in its implementation.
- An Environmental Action Plan (EAP) has been prepared and is being implemented by relevant NGOs.
- A mid-term review of the project was carried out in March 1997, in which it was recommended that no major structural changes of the project are needed.

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June 17, 1997

Bhutan: Third Forestry Development Project (Cr. 2533-BHU)

Background

The project finances four components: (i) National Forest Management; (ii) Social Forestry; (iii) Afforestation/Reforestation and (iv) Institutional Strengthening. It aims to help Bhutan develop an approach for sustainable management and use of its forest resources in line with its national development priorities. The project includes under component (iii) rehabilitation of degraded forest lands, and under component (ii) agroforestry on private land and participatory forestry on public forest land through involvement of local communities to meet local needs.

Project Summary

Board date July 6, 1993; \$ 5.4M Credit, in co-financing with SDC Grant of SwF 4.07M; EA Category: B

Issues

There are currently no acute environmental issues.

Current Status

- The report of two environmental specialists on the MTR mission of November-December 1996 was circulated in the Bank in January 1997 and was found to have instituted sufficient environmental precautions, agreed with RGOB, to resolve the environmental concerns for the near-term.
- The two experts felt that *watershed concerns* are being addressed appropriately. Project-supported technical assistance in low-impact logging methods over the next three years will further improve the level of local expertise in ensuring the conservation of watershed values.
- Regarding *biodiversity concerns*, the specialists accepted the overriding consideration [which gave the justification for including the National Forest Management component in the project] that the managed harvest of wood is absolutely needed in Bhutan as a necessary function of the forest and that the new management introduced through the project is an improvement over the previously largely unplanned and unregulated system.
- The pattern of harvesting applied in the Forest Management Units (FMUs) - a matrix of small strip or patch cuts interspersed with substantially larger areas of undisturbed forest - and the very low level of exploitation of the forest resource as a whole - only 0.2 % of Eastern Bhutan's broad-leaved forests will be harvested in seven currently proposed FMUs over the next 10 years - satisfy biodiversity concerns.
- The client organization has agreed to introduce field trials to test alternative forest management systems, regeneration options, and environmental monitoring of operations and trials. These precautionary activities will also be assisted by project-supported, selective consultant inputs during the next three years.
- The sub-team further concluded that *cattle grazing*, rather than regulated commercial logging or even traditional unregulated wood use, has the most serious impact on biodiversity. Grazing damage is reduced under the forest management system being applied mostly by fencing regeneration areas.
- The project will be supervised again in May 1997.

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June 17, 1997

India: Coal Sector Environmental and Social Mitigation Project

Background

The overall objective of the project is to improve management of the environmental and social issues associated with production of coal by Coal India Limited (CIL), supported by appropriate policies for environmental mitigation, resettlement and rehabilitation of project-affected people, and community development. These policies will be tested in 25 coal mines, of which 24 will receive support under a Coal Sector Rehabilitation Project (CSR).¹

Project Summary

Board Date: FY96; \$63m IDA credit (total cost of \$84 m); EA Category A

Issues

- Domestic and international opposition to opencast coal mining in India is growing as a direct consequence of past failures by CIL to adequately address environmental and resettlement issues, and indirectly due to unresolved environmental issues associated with burning low grade coal in India's often inefficient power stations.
- Approximately two-thirds of India's 496 coal mines are underground, have low productivity, and in many cases are unprofitable--65% of India's coal comes from large, highly mechanized opencast mines which often have severe environmental and social impacts. Mine closures are inevitable if CIL's operations are to remain financially viable.
- The Bern Declaration and local NGOs have raised concerns regarding: (i) the lack of consultation/participation in preparing Resettlement Action Plans (RAPs) or Indigenous Peoples' Development Plans (IPDPs); (ii) the historically poor record of CIL with respect to resettlement and rehabilitation (R&R) and alleged flaws of CIL's revised R&R policy; and (iii) the need to restore incomes of people displaced by coal mining; and (iv) failure of the project to adequately address global issues.

Current Status

- The project supports development of institutional capacity within (and actions by) CIL to implement Environmental Action Plans, RAPs and IPDPs at the 25 mines within the rehabilitation project. The rehabilitation and mitigation projects will be linked through cross-conditionality, i.e. satisfactory progress with implementing these plans at each of the 25 mines will be a condition for continued Bank support for rehabilitation investments (see footnote).
- CIL's revised R&R policy self-imposes corporate responsibilities which greatly exceed minimum legal requirements for R&R. CIL has used a participatory approach in the development of the various plans.
- Project specific environmental and social mitigation costs are fully-accounted for; however, the economic costs of carbon dioxide emissions from the use of coal have not been considered.
- On June 9, 1997, the Bank issued Status of Implementation Note on CSESMP for the information of the Executive Directors.

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June 17, 1997

¹ The India Coal Sector Rehabilitation Project, expected Board Date of August 26, 1997, \$530m loan, \$2m credit (\$1,700m total cost), EA Category A.

India: National Thermal Power Corporation (NTPC) Power Generation Project

Background/Context

The project aims at improving commercial discipline in the Indian power system, helping NTPC to mobilize funding for its program of new power stations, upgrading the environmental performance of existing power stations and make its new power stations environmentally more sustainable and strengthening NTPC's environmental and resettlement and rehabilitation (R&R) management capability.

Project Summary

Board date June 93; \$400m loan; EA Category: A.

Issues

- As with the Coal Sector projects in general, NGOs raise concerns over India's reliance on coal as an energy source and the detrimental impacts on the global and local environment.
- The Singrauli area, where one project supported under this loan is located (Vindhyachal II), remains the subject of significant NGO concerns (Bern Declaration, Greenpeace and several local NGOs) as well as those raised recently by politicians, partly due to reports which noted adverse environmental and social consequences from past investments by Coal India, NTPC, UP State Electricity Board and several private industries in the area.
- NGOs have also voiced concerns over the extent of community participation and alleged harassment of villagers by the police and NTPC staff.

Current Status

- The environmental monitoring system under the Environmental Action Plan has demonstrated that most NTPC power stations (at 12 different locations in India) operate within the standards stipulated by the state Pollution Control Boards. A number of environmental projects to further improve performance are in various stages of implementation. NTPC has been asked to accelerate the implementation of some of the ash slurry recycling and close cooling water system projects, which are considerably delayed.
- New power stations are being designed using stricter standards.
- NTPC has been partially successful in implementing the various R&R action plans. The land-for-land option has proved to be difficult to implement in practice and the creation of viable alternative income generation schemes has been a difficult and time consuming process.
- At all sites, consultation has been taking place and at some sites has helped resolve remaining problems. (Examples are Farakka, Ramagundam, Kayamkulam and to a certain extent Talcher). However, particularly in the Singrauli area (including Vindhyachal II), the consultative process is not yet working very well, partially because of demands made by people living in areas affected by the project are well in excess of what can be offered under the agreed R&R policy and because a number of local groups have been filing cases in court. In January 1997, the Supreme Court dismissed a Special Leave Petition files by PAPs of the Vindhyachal II project. NTPC can now proceed with the resettlement and the implementation of various rehabilitation schemes. Consultation with PAPs has been intensified. Some progress has been reported by NTPC in the implementation of the resettlement and rehabilitation plans of PAPs of Rihand and Vindhyachal II and most PAPs are expected to relocate over the next few months.
- On May 2, 1997 the Inspection Panel notified the Executive Directors and the Bank President about the registration of a Request for Inspection by Ms. Madhu Kohli on behalf of a number of small and marginal cultivators in the Singrauli Region. The Management Response to the allegations was provided on June 3, 1997 and is now under consideration with the Inspection Panel.
- The situation in the Singrauli area, where part of the project is executed remains tense and there have been conflicting reports at events taken place at Vindhyachal on May 25, 1997 when NTPC together with the District Commissioner and local police proceeded with relocation of villagers after the Supreme Court dismissed a Special Leave Petition filed by PAPs of the Vindhyachal II Project. A Bank mission to investigate the case did not find evidence of police violence on May 25, 1997, except for one incident of the use of police force on June 9, 1997. However, reports remain conflicting. The mission also took note of a number of grievances from some villagers, which are now being addressed by NTPC. NTPC has reported that no force has been used and a number of people have shifted voluntarily both at Vindhyachal and in Rihand. Police presence at Vindhyachal is to ensure any avoidance of a law and order problem. The Bank has indicated to NTPC that the use of force is not acceptable. The incidents are now under review and the situation is closely monitored.

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June 17, 1997

India: Ecodevelopment Project

kground

as project aims to conserve biodiversity in seven globally significant protected areas in India through a strategy of ecodevelopment. By increasing collaboration between local people and government managers, the strategy aims to address both the impact of local people on the protected areas and the impact of the protected areas on the local people.

Project Summary

Board Date September 5, 1996; Effectiveness Date December 27, 1997; EA: B

Concerns Expressed by NGOs

- Some local people have not been consulted during project preparation. Project preparation included participatory planning on an indicative basis involving only a sample of potential participants and used this to develop the strategic plan.
- Past confrontations between the state and local people in and around the protected areas (PAs)..
- Resettlement.
- Resource rights of the indigenous peoples in and around the PAs.
- Little linkage with conservation, like past government program in ecodevelopment.
- Dilution of protection efforts for other PAs.
- Extent to which local people participate in decisions on protected area management. Some NGOs advocate the concept of "joint protected area management", which would strengthen the extent of participation in protected area management decisions and open up the question of restoring resource rights. Other NGOs and many forestry officials currently oppose this concept, fearing that it would open a Pandora's box and undermine protection.
- Dependence on foreign agencies

Project Design Features Addressing Above Concerns

- Participatory planning and decisions by all local people involved in the project on specific project activities and investments during the project period.
The participatory planning and implementation support serving as mechanisms for conflict resolution
No involuntary resettlement and detailed guidelines for any voluntary relocation.
- Existing customary and other resource rights of indigenous peoples protected, although rights lost in the past not necessarily restored.
- Ecodevelopment investments explicitly linked to measurable reciprocal commitments by local people to support conservation.
- Steps to monitor staffing and non-project conservation expenditures, ensuring project would build upon rather than dilute existing protection efforts.

Recent Actions

The *project design* addresses most of the above issues, or at least provides mechanisms for further dialogue. Both Bank and Government efforts have therefore focused on improving the understanding of this design.

The *national and state governments' efforts* to improve understanding have included:

- dissemination of staff appraisal report, project summaries, translated text, etc. to NGOs, researchers, press, and local people
- ZOPPs workshops facilitated by professionals in each of the seven sites involving forestry staff, other government staff, NGOs, researchers, press, and local leaders
- preliminary meetings and participatory microplanning with some local communities
- co-sponsoring (with the Bank) meetings with concerned NGOs, individuals, and the press (at the national level in June and 1996 and in Karnataka, Bihar and West Bengal in September/October 1996, in Karnataka, Gujarat and Rajasthan in February 1997, and in Kerala and Madhya Pradesh in April 1997)
- Beginning in January 1997, the national level government coordinator has begun to play a more active role in handling NGO correspondence

Bank staff have supplemented these efforts with

- Providing ongoing clarification of the project design to the constantly changing teams of forestry officials (Due to normal rotation, over 50% of chief wildlife wardens and protected area field directors changed between project appraisal and negotiation, and lack of familiarity with the project design by these individuals has been the source of some of the misunderstandings. This situation was aggravated by the fact that the project coordination office lacked a director August - October, 1996.).
- Assisting with logistical arrangements for NGO workshops and dissemination of reports

Responding to letters from NGOs and others

Meeting informally with concerned individuals to maintain communication

- Rearranging supervision plans so that beginning in January 1997, the Bank's New Delhi Office (NDO) could play a greater role in interacting with local people, NGOs, government staff, researchers, the press, and other stakeholders
- Devoting extensive attention to project supervision during FY97, including visiting all seven project sites during the course of three missions. Mission documentation includes summaries of the discussions with NGOs, press, and local people.

Current Plans

The New Delhi Office is taking over the task management of the project as of July 1997 but headquarters staff will continue to be involved and provide continuity. The proposed supervision plan for FY98 would continue the intensive level of attention from Bank staff, with a focus on achieving results at the field level and a well-functioning monitoring and reporting system.

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June 17, 1997

India: Upper Krishna II Project

A separate note was sent to Mr. Wolfensohn on April 28, 1997, as part of the India Spring Meeting Briefing Package.

Project expected to close on June 30, 1997.

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June 17, 1997

LATIN AMERICA AND CARIBBEAN
REGION

Brazil: Gas Sector Development Project

Background

The project comprises construction of a pipeline from Santa Cruz in Bolivia to São Paulo in Brazil, continuing with a smaller diameter southern leg to Porto Alegre. The pipeline is 3,110 km in total, of which 2,547 km is in Brazilian territory. Only the Brazilian part will be financed by the Bank. The total investments in the pipeline, including financial costs but excluding phased compression costs, are estimated at about US\$ 2.0 billion of which about US\$ 1.5 billion would be in Brazil. The capacity of the pipeline will be 30 MM cm/d. The Bank financial support is limited to the Brazilian side of the pipeline.

Project Summary

Board Date: FY'98; \$ 330 million in IBRD loan and guarantee; EA Category A

Issues

- Crossing of sensitive environmental ecosystems such as the Pantanal, the Gran Chaco and Santa Cruz La Vieja National Parks (Bolivia) and Mata Atlantica Biosphere reserve and Aparados da Serra National Park in Brazil.
- Indigenous peoples territories will be crossed and new access roads may lead to conflicts.
- Construction and maintenance operations and crews may adversely affect small rural communities.
- Increased gas exploration and exploitation may lead to additional pressures on sensitive ecosystems, tropical forests and indigenous peoples.
- Uncontrolled downstream developments may cause additional impacts.

Current Status

- A full Environmental Assessment report has been prepared for the entire pipeline including both the Bolivian and Brazilian segments. Strategic upstream (in gas exploration areas in Bolivia) and downstream (delivery centers in Brazil) environmental assessment reports are also being completed.
- Detailed environmental management plans (EMPs) are being completed based on the same social and environmental criteria used in other Bank projects.
- A detailed set of environmental specifications during construction will be part of bidding documents including camp location and construction crew behavior guidelines; these specifications will be enforced during construction.
- An indigenous peoples' development plan is being prepared for the Bolivian as well as for the Brazilian side of the pipeline.
- No resettlement issues.

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June 17, 1997

Argentina/Paraguay Yacyreta II Hydroelectric Project

Background/Context

Large-scale hydroelectric bi-national project on the Paraná river bordered by Argentina and Paraguay. The project experienced cost-over runs and delays due to political and economic instability in Argentina in the early 1980's, and was revived in the mid-1980's with provisions to address environmental and resettlement issues. Sixteen (16) of the dam's 20 turbines are now operational and expected completion date is December 1998. The Governments of Argentina and Paraguay plans to privatize the facilities were rejected by both national legislatures on April 30, 1997.

Project Summary

The World Bank has approved four loans for the project totaling \$895 million. The last loan's Board Date: Nov. 92, US \$300m loan; total project cost approximately \$7 billion; EA category A.

Issues

- Compensation for involuntary resettlement of 50,000 people.
- Compensatory actions for loss of riverine forests and wetlands and adverse impact on fish population of the Parana river.
- Compensation for impacts of reservoir development on human health.

Current Status

- The borrower has been slow in financing commitments specified in a Resettlement and Environmental Management Program (EMP).
- In May 1996, Bank management agreed on a plan to complete pending actions related to elevation 76m. After some delay, because of lack of funds, implementation resumed in December 1996. An escrow account was established and funds are secured to complete all action by December 1997. As of May 30, 1997, 72% has been implemented.
- Bank management responded to a complaint issued by the Inspection Panel on October 31, 1996.
- Bank Management sent a Progress Report on the project to the Board on February 3, 1997.
- On January 20, 1997, Bank Management with the Government of Argentina on a Plan of Action to complete by December 1999 works and activities to mitigate effects of prolonged operation at elevation 76m. Details of the plan of action and financial arrangements for funding such plan were finalized on April 29, 1997. Implementation of the plan has started.
- Board agreed that the Inspection Panel should study the project. The Inspection Panel has started its work and should report to the Board in four months time.

Follow-up Actions

- Continued close supervision of environmental and resettlement components.

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June 17, 1997

Bolivia: Compañía Minera del Sur (COMSUR) Project

Background

IFC made its first investment in COMSUR in 1986. Subsequently, further investments were made in 1989, 1993 and 1995 to assist COMSUR in the expansion/modernization of its mining operations in Bolivia.

Project Summary

Board Date: July 1995; loan \$8.34m (total loans of \$24m); EA Category A.

Major Issues

- Between August 29 and September 1, 1996 uncontrolled releases of tailings from one of COMSUR's zinc/lead/silver mines (Porco) occurred resulting in contamination of water downstream of the mine.
- No loss of life occurred nor is there any evidence of any significant short term environmental and social impacts. The company hired local residents to assist in a major cleanup program to remove deposited tailings from the river. This work was completed in January 1997.
- A program has been developed to monitor for medium and long term effects.

Current Status

- Mill operations resumed in December 1996. A small new tailings impoundment is receiving tailings for the interim, until a large, new facility is built on level terrain well away from the river.
- IFC arranged for a third party review of the cleanup and environmental monitoring programs, and the company's environmental management system. Recommendations of minor improvements and changes have been forwarded to the company for review and response.

Contact Martyn Riddle
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June 17, 1997

Brazil: Rondonia Natural Resources Management (PLANAFLORO) Project

Background

The World Bank has financed two programs to promote sustainable management of natural resources in Rondonia. From 1981 to 1986, the Bank supported the POLONOROESTE program (US\$500m in Bank loans), which succeeded in protecting some indigenous lands and conservation units and encouraged more sustainable cropping patterns. However, the program is best remembered for the paving of the BR-364 highway, which was the pathway of the last groups of migrants flooding into the region, thus exacerbating many social and environmental problems. In 1992 a second project, PLANAFLORO, was approved for Bank financing, one of its main objectives being to address the social and environmental problems associated with in-migration and unsustainable agricultural and resource extraction practices. The centerpiece of PLANAFLORO is a zoning plan which divides Rondonia into different zones reserved for conservation (some 40% of the state), light development, and more intensive development.

Project Summary

Board date: September 12, 1992; US\$167m loan; EA Category A

Issues

- Implementation has been difficult with significant delays (particularly of the zoning component), strong resistance towards conservation-oriented components among powerful groups in the state, and strong local and international NGO criticism that the project has failed to provide better protection for fragile lands and traditional peoples.
- Even after bringing NGOs into the decision-making of the project, conflict continued, culminating in a request for an investigation by the World Bank Inspection Panel in 1995. In January 1996 the Board of Directors decided that a formal inspection would not go forward, but did ask the Panel to continue following the evolution of the project and report to the Board.
- Implementation problems have included lack of ownership among key stakeholders both at the community level and among politically more powerful groups; poor implementation capacity in relevant local institutions; and problems associated with the State's ongoing fiscal crisis and delays in the release of funds by the Federal government.

Current Status

- At the mid-term review in June 1996, a new, simpler design of the project emerged. Maintaining the original goals of the project, the new design shifted most of the development-oriented resources to demand-driven, community-based activities that had a stake in the conservation goals of the project. This element was accepted enthusiastically by the NGO community.
- The environmental protection components still lack full commitment and support by the State and Federal authorities. Since July 1996, the State Government together with Federal officials and NGO representatives have been working on a new governance scheme for the project.
- Although some claims about the degree of environmental degradation have been exaggerated, illegal logging and mining and some squatting is occurring on areas designated as conservation or indigenous lands. Before the Bank can approve the new project design and governance scheme, the State will need to demonstrate good faith in taking measures to prevent the serious instances of encroachment.
- The Executive Directors requested that the Inspection Panel visit Rondonia, which it did in early March 1997, and report on the project's status and NGO complaints.
- A draft amendment of the Loan Agreement for a one year project extension, has been prepared and sent to the Brazilian Ministry of Planning. This amendment is expected to be negotiated by mid-July 1997.

Follow-up

- Continued intense field-based supervision.

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June 17, 1997

Brazil: Itaparica Resettlement and Irrigation Project

Background

The Itaparica Hydropower Project on the Sao Francisco River displaced 8,100 families. This hydropower project was not financed by the Bank and closed in 1986. At that time there was no resettlement plan. The Government of Brazil supported by strong NGO involvement requested the Bank to finance the Itaparica Resettlement and Irrigation Project. This project has as principal objective to maintain or improve the displaced population's current standard of living. To achieve this objective the project finances: (a) irrigation and agricultural production services, including establishment of some 8,000 ha of irrigated farmland and agricultural production services; (b) other rural infrastructure and services, including rural housing, water supply, rural road construction, installation of electric power systems, and education, health and social services; (c) urban resettlement of the townships of Petrolandia, Itacuruba, Rodelas and Barra do Tarrachil, water supply and sanitation, and relocation of regional roads and power lines.

Project Summary

Board date: 11/17/87; total project costs \$ 303.7 million, specific investment loan; EA Category: C. Government regulations (Federal Law 6938 of 1981) required the preparation of an EA. As the project was already under construction when the law and its regulations were published, the borrower prepared an EA to satisfy its own regulations. This EA was only an add on and could not influence project design. Under current Bank EA procedures this approach is considered unacceptable practice.

Major Issues:

- Resettlement has been a nightmare since the early stages of the project;
- Government has continuously tried to drag its feet on the resettlement;
- The Bank has continuously tried to press the government to do a good job;
- Situation from the government side has slightly improved.

Current Status

- All 8,100 families have been resettled;
- Most of the infrastructure is complete;
- 58% of the settlers remain to be trained;
- It is expected that by mid-1997 the percentage of irrigated plots will reach 84%;
- Project will close officially on 12/31/97;
- NGOs would like the Bank to continue to provide leverage in relation to the government;
- On March 12, 1997, the Inspection Panel received a request for Inspection;
- Present file with the Inspection Panel is not because of a failure of the Bank, but to put pressure on the government to fulfill its obligations to the resettled people;
- Management response was sent to the Inspection Panel on April 29, 1997.
- The Brazilian Federal Government established in December 1996 (thus before the Request for Inspection) a high level Interministerial Committee. The main task of this Committee is to prepare a detailed Action Plan with schedules, budgets and origin of funds, etc. This Action Plan was delivered to the President of Brazil in May 1997.

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June 17, 1997

Grenada: OECS Ship Generated Waste Management Project

Background/Context

The OECS Ship Generated Waste Management Project for the Caribbean region involves 6 national components and a regional component for the development of solid ship-generated waste management facilities. One of these components is in Grenada.

Project Summary

Board Date: May, 1995; US\$50.5 million financed by EIB, IBRD, IDA, EU, GEF, CDB and OECS Governments. EA category: A.

Issues

- In early 1994, Grenada had plans to develop a new landfill site in the southernmost portion of Perseverance Estate. In May of that year, the Bank informed the Government of Grenada that the project could not support a landfill at this location because it would destroy part of one of only two Grenada Dove habitats (a critically endangered species totaling only some 70 birds, approximately 20 being at the site at issue). The Bank advised the Government to find an alternative landfill site and that both Dove habitats (Mt. Hartman and Perseverance) should be protected. The GEF added US\$200,000 to the project for a subcomponent to provide on-the-ground protection to the main Grenada Dove habitat (about 50 birds) at the 60 ha Mt. Hartman National Park. The remaining Dove population lives on the Government-owned Perseverance Estate and the adjacent privately-owned Woodford Estate.
- In October 1994, the Government (not the current government) allowed a private firm with a long-standing concession to develop a quarry in the northern portion of Perseverance Estate which resulted in destruction of Dove habitat and fragmentation of remaining habitat. Grenada Doves still occur in both remaining patches of habitat on the Estate but their survival is precarious. However, there are definitely no Grenada Doves, nor anything resembling suitable habitat, in the now cleared northern section of Perseverance Estate.
- To date, the Government has not found an alternative landfill site that is both technically and politically acceptable. Accordingly, the Government is now proposing to use about 10 ha of the cleared quarry portion of Perseverance Estate as a landfill site.
- If the 1994 clearing at Perseverance Estate anticipated the landfill development, the Bank would be precluded from financing the Grenada component because of the provisions of OP 4.04: *Natural Habitats*. Although no Bank funds are financing the national component for Grenada, the Bank is involved as an Implementing Agency for GEF funds for this component (\$1.2 mil.).
- The Borrower and the Bank agreed to undertake further review to determine whether the modified Perseverance site was indeed the best available alternative for the landfill. Mitigation measures, including a species management plan, are to be developed for the Grenada Dove, preferably to include all existing Dove locations.

Current Status

- A recent internal review found that since the Government that permitted clearing in 1994 was different from the one deciding on the landfill development, it would be difficult to determine that the purpose of the clearing was to force development of the landfill at that particular estate.
- The project has recently been declared effective and disbursement conditions introduced that include submission of satisfactory EAs and final landfill selection on that basis.
- The Government has declared the remaining fragmented habitat at Perseverance as a National Park and is negotiating to purchase contiguous habitat in private lands to add to the Park. It has also declared its commitment to protecting Dove populations in association with the proposed landfill site at Perseverance.
- A consultant has undertaken a review comparing alternative landfill sites on environmental, economic and social grounds. The review found that Perseverance site is indeed optimal. However, appropriate measures to protect the remaining Dove habitat would have to be implemented with vigor. If such measures cannot be taken or are found to be too risky, an alternative site--Meadows--may be the best option.
- A meeting in Washington on April 1997, the Bank has confirmed with leading conservation NGOs and Dove experts that the most feasible alternative is to locate the landfill at the cleared part of the Perseverance Estate. However, it was also agreed that a comprehensive Grenada Dove species recovery action plan will be developed and partly supported by GEF.
- A Dove expert has already been fielded to Grenada and is expected to provide draft species recovery plan and other Dove survival related outputs.

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June 17, 1997

Guatemala: Basic Resources Ltd., Project

Background

IFC made its first investment in BASIC in 1994. Subsequently, an investment was also made in fiscal year 1997. Both investments are assisting the company in its ongoing development of its oil production activities in Guatemala.

Project Summary:

Board date May 1994; A loan \$10m; B loan \$6m; Equity: \$4.0m; EA Category: A:

Board date July 1996; A loan \$12m; B loan \$12m; Equity: \$1.8m; EA Category: A.

Major Issues:

- Ongoing development of Basic's main oil field (Xan field) which began with a concession award in 1985. The region was subsequently declared part of a Biosphere Reserve in the early 1990s. The 1985 concession award required the company to construct a pipeline to evacuate oil from the Xan field in the mid-1990s.
- Access to the Reserve is via a public road built in the 1970s and on a ferry across a river at the Reserve's southern boundary. Squatters have been invading the area at an increased rate since the recent peace accords were signed. Ferry operations were controlled by the military until peace accords were signed but they have since withdrawn. National environmental authorities are supposed to operate the ferry, but have been prevented from doing so by squatters.
- The development of the Environment Management Plan for the Basic's activities involved BASIC, Government of Guatemala's environmental authorities and a number of non-government organizations (in particular Conservation International).
- BASIC has made a financial contribution of US\$130,000 towards the management of the Biosphere Reserve.

Current Status

- Following an Independent Environmental Audit, 1994, a corrective action plan was developed to bring all operations into compliance with Bank environmental guidelines;
- A new pipeline (outside the Reserve) has been aligned to follow an existing road to minimize impacts on right-of-way and access.
- BASIC, IFC and Conservation International have been engaged in an ongoing dialogue on how to address the site restoration requirement under the Bank's Natural Habitats Policy (OP 4.04) after IFC is no longer involved in the project.
- No hostage taking incidents have occurred since those reported in the previous watch list.
- In early May 1997, Norcen, a Canadian company, announced a tender offer for the shares of BASIC. This offer closed on June 9th and was successful. IFC tendered its equity in the offer. As BASIC's environmental covenants arise from the IFC loans, IFC's sale of its equity will not affect its position in respect of BASIC's obligation to follow Bank environmental policies and guidelines. A separate detailed briefing on the takeover was sent to Mr. Wolfensohn on June 5.
- In early June, the US GAO visited Basic in Guatemala as part of its review of public consultation in Bank Group projects. The results of this visit are not expected until GAO staff return to Washington during the week of June 23rd.
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Contact Martyn Riddle
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June 17, 1997

Guatemala: Chixoy Hydroelectric Project

Background/Context

The World Bank and the Inter-American Development Bank financed a hydroelectric dam in the Guatemalan highlands in the late seventies. The first World Bank loan for the project was approved in 1978. The dam had serious cost overruns, and the project completion report judged the project unsatisfactory from an economic and financial point of view. The project was closed in 1989. In 1996, Witness for Peace, an NGO group, published a report entitled "A People Damned" in which it claimed that the Bank's support for the project and the associated resettlement was linked to the murder of 177 women and children in the community of Rio Negro and it suggested that Bank officials ignored the massacre. Mr. Wolfensohn ordered an internal inquiry and asked a high level Bank group to visit Chixoy in July 1996. On its return, the Bank group reported that at the time of the massacre--and for some time after-- the civil disorders reported in the project area were considered part of widespread insurgency and counterinsurgency actions carried out in Guatemala in the 1980s which led to the displacement of an estimated one million people and the deaths of perhaps 200,000 peasants and indigenous people, among them people in Rio Negro. Furthermore, although Bank staff at that time were aware generally of violence in the area, neither Bank staff nor other observers directly associated this violence with the project.

However, the Bank team that visited Chixoy in July 1996 confirmed that some aspects of the resettlement plan had not been completed. The team made recommendations for completing the resettlement plan; the Government is now implementing such recommendations which the Bank is monitoring very closely.

Project Summary

Project is closed.

Issues

- Several aspects of the resettlement program still need to be completed. These deal mainly with (a) the provision of farming land to those resettled at Pacux; (b) titling of house lots and agricultural land; (c) the completion of electricity and water distribution systems; (d) compensation to a few persons for the loss of their former homes or other property incurred as a result of the process of resettling and; (e) the provision of construction materials to the offspring of those resettled in one community.

Current Status

The Bank retained the services of the Pastoral Social of Alta Verapaz, a well respected Guatemalan NGO, to facilitate the completion of the resettlement activities. The current status is as follows:

- The Peace Commission, FONAPAZ, and the electric utility INDE have agreed to purchase the farming land needed for those resettled at Pacux. Although suitable land is not plentiful in the area, a particular farm has been identified and accepted by the community.
- Titling is proceeding as quickly as legal procedures allow.
- FONAPAZ has also agreed to finance the water system needed at Chicuxtin and provide the building materials for El Naranjo.
- INDE is in the process of completing the designs needed to build the electric distribution networks, and
- A solution is sought to complete payment of compensation for damages, which is complicated by the fact that the affected parties do not have the documentation needed to prove that compensation is due to them.
- It is expected that all resettlement activities will be completed by the end of 1997.

Contact Martin Staab
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June 17, 1997

Chile: Pangué Hydroelectric Project

Background

The Pangué project is to be a 450 MW run of the river hydroelectric project on the Rio Bio-Bio in south-central Chile, with an expected date of commissioning in early 1997. The sponsor is a company 97.5 percent owned by the national electricity generating authority (ENDESA). While the environmental impact is relatively minor for a large hydroelectric project, Pangué is controversial as it is located on a significant, undeveloped river system where several other projects are under preliminary consideration. Furthermore, the upper Bio-Bio watershed is home to some of the few, remaining indigenous communities in Chile.

Project Summary

Board date of December, 1992; \$74.9 m loan, (\$370m total project cost); EA Category A

Major Issues:

- The project will inundate 500 ha of land and result in resettlement of 8 non-indigenous families.
- Project critics (primarily the Grupo de Accion por el Bio-Bio - GABB) have alleged inadequate assessment of "cumulative impacts" of the Pangué project and other potential projects on the Rio Bio-Bio and of downstream impacts. ENDESA is now proposing to build a second hydroelectric power plant on the Rio Bio Bio upstream of the Pangué project.
- Charges that the Pehuen Foundation (funded by project revenues to assist indigenous communities) has not been functioning as planned and that the Pehuenche people were being adversely affected.
- Incomplete evaluation of downstream impacts.
- It has been alleged recently that IFC has failed to adequately monitor the sponsors' environmental performance and that the sponsor is in default under various environmental covenants.

Current Status

- While IFC is not involved in the financing any other hydroelectric power project on the Bio Bio River (including ENDESA's proposed Ralco project upstream), it included in its Investment Agreement with Pangué S.A. that the EA for any other projects will include an assessment of cumulative impacts. Discussions are continuing with ENDESA. The Government of Chile (GOC) environmental agency (CONAMA) approved the Ralco project in early June 1997, with a number of conditions. The GOC's indigenous people's agency (CONADI) must now approve the proposed resettlement plan for the Ralco project. The GOC's approval process is expected to result in a number of legal actions by those opposed to the project.
- In the Summer of 1995, IFC initiated an independent evaluation of the Pehuen Foundation to monitor its compliance with the provisions in the Investment Agreement. The evaluation identified a number of problems and necessary remedial actions are now being discussed with Pangué, S.A. and the Foundation.
- In November 1995, GABB petitioned to have the World Bank's Inspection Panel review the project. Mr. Wolfensohn, in response, appointed an independent advisor (Mr. Jay Hair) to review the project's compliance with World Bank policies and the covenants within IFC's Investment Agreement. Final report is under review by Mr. Wolfensohn.
- Loan pre-paid in March 1997. Negotiations with the company resulted in signing of Memorandum of Understanding on outstanding issues in late April, 1997.

Contact: Martyn Riddle
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June 17, 1997

Lunch

**Lunch with the Secretary-General
on Wednesday, June 25, 1997
UNGASS**

He is inviting all the speakers of that day. The luncheon will take place in the UN Delegates' Dining room on the 4th floor of the UN building. The final list of invited guests will not be available until Monday.

See attached list of speakers



EARTH SUMMIT+5

Special Session of the General Assembly to Review and Appraise
the Implementation of Agenda 21

New York, 23-27 June 1997

70 Heads of State to Assess Earth Summit Results at UN Special Session in June

Negotiations on Text Leaders Will Adopt Show Progress but North-South Split on Finance

New York, 21 May -- Some 70 Heads of State or Government are expected to attend a special session of the United Nations General Assembly in New York from 23 to 27 June to assess progress on sustainable development since the 1992 Earth Summit.

The session, called Earth Summit+5, aims to review action taken in the five years since the United Nations Conference on Environment and Development met in Rio de Janeiro, and to set priorities into the 21st century. Talks in March and April 1997 to negotiate a platform that world leaders will adopt have led to some decisions on key issues, but have left until June many unresolved differences, especially on financing questions, between industrialized and developing countries.

Mostafa Tolba of Egypt, current Chairman of the UN Commission on Sustainable Development, where the April talks took place, acknowledged at their conclusion that the negotiations had been "very difficult", but he was confident that an agreement would be reached in June.

In the talks so far, important steps forward have been taken on international cooperation to conserve and protect freshwater supplies, encourage greater energy efficiency and ensure better management of oceans and coastal areas. The question of whether to begin negotiations for a legal convention on forests has not yet been decided.

In these areas, the talks have aimed to build and expand on Agenda 21, the blueprint for sustainable development adopted at the Earth Summit. But on most finance issues, Governments have not been able to get beyond the fundamental North-South differences that dominated the debate in Rio.

Deteriorating Environment

Assessing progress since Rio, Governments have noted in the draft agreement that some global trends appear positive. Growth in world population is slowing, food production is still rising, and the majority of people are living longer and healthier lives.

But overall, the state of the global environment has continued to deteriorate, with rising levels of toxic pollution, greenhouse gas emissions and solid waste. Renewable resources, particularly freshwater, forests, topsoil and marine fish stocks, continue to be used at rates that are clearly unsustainable.

Accelerated globalization of the world economy has benefitted some developing countries, but many, especially in Africa, continue to be marginalized. The number of people living in poverty has increased, and gaps between rich and poor have grown, both within and between countries.

Few Specific Targets

Some 60 ministers of environment, forests, agriculture and development and other senior officials attended the three-day high-level segment of the April session of the Commission on Sustainable Development, to give political impetus to the talks. Many ministers noted the urgent need for concrete proposals for action, together with targets and timetables for reaching them, but when negotiations began, few specific recommendations were made or agreed.

Environment and development groups participating in the Commission session saw the lack of concrete commitments as a serious setback. Speaking for the non-governmental organizations (NGOs) at a UN-sponsored press conference, Clif Curtis of Greenpeace International said that "we feel we are going backward, not forward, in addressing sustainable development". Considering the urgency of the situation, far too little was being done.

Issues unresolved at the April talks will be negotiated in an Ad Hoc Committee of the Whole that will meet during the June special session, while Heads of State and other high-level representatives speak in the main General Assembly Plenary.

Some delegations lined up for a whole weekend in mid-April, taking shifts, to obtain prime speaking spots for their country's leaders. The top ten slots were provisionally assigned to the Heads of State or Government of Brazil, Canada, Japan, Malaysia, Spain, the United Kingdom, Germany, France, the United States and the Netherlands.

A draft political statement, intended to be a popular-style preamble to the final document in which Heads of State would reaffirm the commitments pledged at Rio, was circulated by the Commission Chairman at the close of the session, based on informal consultations. By the text, which has still to be formally negotiated, Heads of State would declare that implementation of Agenda 21 is "more urgent now than ever" and that "we decide to move now from words to deeds". Saying that "we must reverse the trend of deterioration of the environment", Government leaders would express their intention to reduce by half, by the year 2015, the proportion of people living in absolute poverty and reaffirm their commitment to the target of 0.7% of GNP for official development assistance (ODA) or developing countries.

Financing Contentious

On financing, the "Group of 77", representing 132 developing countries, is urging donor countries to honour commitments taken in Rio to make available "new and additional" resources -- beyond existing levels of ODA -- and environmental technologies at concessional prices. Although the Rio agreements and the draft document for adoption in June continue to affirm the target of 0.7% of GNP for ODA, the draft text also notes that ODA has "drastically declined" since Rio, from an average 0.34% of GNP in 1992 to 0.27% in 1995. Indicative of deep divisions, northern and southern countries disagree on basic wording as to whether provisions on finance and technology transfer in Agenda 21 are "commitments" or "objectives". They have, however, agreed to call for studies on the root causes of this decline and on policy approaches to reverse it.

Some donor countries have stressed that larger flows of private foreign direct investment (FDI) have compensated for lower ODA. Developing countries have noted that FDI benefits only a few countries and does not necessarily encourage sustainable development. The draft agreement for June calls for studies and policies to attract private foreign capital and ensure that it promotes long-term sustainable productivity. It also calls for further work on domestic resource mobilization in developing countries.

Governments have agreed to urge donor countries to provide new and additional resources through a "satisfactory replenishment" of the Global Environment Facility (GEF), the fund established just prior to Rio that channels grants to projects tackling certain environmental problems. Some NGOs had called for a commitment to double GEF funding from the current \$2 billion covering a three-year period, but this did not gain support.

Although compromise positions have been reached on these and other long-standing international economic issues, such as the impact on countries of external debt, the open split between industrialized and developing countries has dimmed the "Rio spirit" of partnership.

"The situation is very much like the situation right before Rio," commented Ms. Joke Waller-Hunter, Director of the UN Division for Sustainable Development, which provides substantive support to the Commission. "All negotiations (are) related to a decision on finance." Mr. Tolba has commented that what some perceive as a deadlock are merely firm positions taken as negotiating tactics by

what some perceive as a deadlock are merely firm positions taken as negotiating tactics by Governments, and he fully expects an agreement to be reached.

Among new initiatives, the European Union has tabled a proposal for a tax on aviation fuel to provide funds for sustainable development, and the draft document calls for further studies by the UN system on innovative financing mechanisms. Some countries and NGOs have expressed support for a new Intergovernmental Panel on Finance to spearhead negotiations, and for a proposal by Norway that Heads of State hold a special meeting on finance issues at the June session, with the heads of major financial institutions.

Progress on Sectoral Issues

In an important step, Governments have urged in the draft final document that the highest priority be given to the serious problems of scarcity and pollution of freshwater supplies facing many regions. Among other recommendations, the draft calls for talks, at next year's Commission session, on a global strategy to address the impending crisis. A recent UN assessment study has shown that two-thirds of humanity will suffer from shortages of clean freshwater within thirty years unless action is taken.

On oceans, the draft document goes a step beyond Agenda 21 to state that there is an urgent need for Governments to prevent or eliminate overfishing, excess fishing capacity and wasteful fishing practices, and to consider the impact of government subsidies. This reflects a growing international consensus, in light of FAO reports that 70% of commercial fisheries are overfished or depleted.

Regarding forests, Governments have left pending until June whether to begin negotiations for a legally binding instrument on forests, or to establish an Intergovernmental Forum on Forests to continue talks exploring this option and to monitor action on over 100 recommendations for sustainable forest management made by an intergovernmental panel in February 1997, after two years of work.

Among countries with large forest reserves, Canada, Malaysia and Russia favour a legal convention, Brazil wants to consider this question later, while the United States is opposed. Most environment groups oppose a new treaty because they feel that the several years of negotiation required would delay action needed immediately and existing agreements such as the Biodiversity Convention offer adequate protection for forests. Studies show that, worldwide, forests continue to be cut and burned at alarming rates.

On climate change, in setting the stage for the meeting of the parties to the UN climate change treaty in Kyoto, Japan, this December, Governments have not agreed on action needed. The European Union has proposed a 15% reduction in emissions of greenhouse gases below 1990 levels by the year 2010. The Alliance of Small Island States, concerned by the threat of rising sea levels, has called for commitments to a 20% reduction in carbon dioxide emissions below 1990 levels by the year 2005. The United States prefers wording urging Governments to adopt "the strongest possible agreement", including legally binding targets, at Kyoto, without specifying targets at this time. A menu of options has been forwarded to the June session for further negotiation.

The draft document also calls for strengthening the Montreal Protocol for protection of the ozone layer and replenishing the fund to assist developing countries to shift to ozone-friendly technologies.

Concerning energy, many countries have raised the need for more sustainable patterns of production, distribution and consumption. Among other actions, the European Union has proposed that Governments and the private sector be encouraged to adopt energy pricing better reflecting economic and environmental costs and benefits, and to reduce and gradually eliminate subsidies, but the "Group of 77" developing countries, the United States and some others have opposed this. Proposals for intensive discussions on energy issues at a future Commission session or in an expert group have not been resolved.

On transport policy, proposals as yet unresolved have called for accelerating the phase-out of leaded gasoline and for promoting guidelines for eco-friendly transport and reduced vehicle emissions, preferably within the next ten years.

How to improve eco-efficiency in energy and materials produced and consumed has been a major theme of the talks. A proposal by the European Union to consider "Factor 10", a goal of ten-fold improvement in productivity in the long term, with perhaps an intermediate goal of "Factor 4", a four-fold improvement within the next two or three decades, has been left unresolved until June. Also, the need for policies that promote sustainable tourism has been raised higher on the international agenda for study at future sessions.

Next Review in 2002

On institutional issues, Governments have called for an enhanced role and adequate funding for a revitalized UN Environment Programme. The work programme for the Commission on Sustainable Development through the year 2002 has been discussed but not completely resolved. It was agreed that the next review of the implementation of Agenda 21 by the General Assembly would take place in 2002. Also, the Commission has recommended that a review of the implementation of the action plan adopted at the 1994 Barbados Conference on small island developing states be held at a two-day special session of the Assembly in September 1999.

To provide input from the major civil society groups involved in sustainable development, dialogue sessions were held during the April talks with representatives of business and industry, women, children and youth, farmers, trade unions, indigenous people, NGOs, scientists and local authorities such as mayors. Each group's recommendations have been forwarded to the Commission.

Action at All Levels

Although the Government review of trends in sustainable development since 1992 shows mixed results, it also recognizes the wide-ranging activity generated by the Earth Summit process.

Internationally, legal conventions on climate change, biodiversity and desertification have entered into force, and a legal agreement on high-seas fishing has been signed. New programmes of action have been negotiated for small island developing states and for the protection of the marine environment from land-based activities. Considerable progress has been made toward sustainable management of all types of forests and towards a legally binding regime on chemical safety.

At the national level, some 150 countries have established commissions or similar bodies to coordinate sustainable development policies, often including representatives from business, environment groups and other areas of civil society. Over 1,800 local Agenda 21 plans have been adopted by cities and towns worldwide.

Many civil society groups have been actively working to promote sustainable development. Over 2,500 businesses have signed onto a Business Charter for Sustainable Development, and major initiatives have been put forward by farmers, scientists, youth and women's groups.

For further information, contact:

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Further information for the media about Earth Summit+5, including the text of the draft final document, can be found on the Internet at: <http://www.un.org/dpcsd/dsd> under Earth Summit+5.

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EARTH SUMMIT+5

Special Session of the General Assembly to Review and Appraise
the Implementation of Agenda 21

New York, 23-27 June 1997

Financing the future

Questions as to where the resources will come from to carry out goals set at the 1992 Earth Summit are at the heart of negotiations leading up to the Summit review by the United Nations General Assembly in June 1997. The shorthand term for these goals is "sustainable development", which according to one frequently used definition entails economic objectives (equity, efficiency and sustained growth), social objectives (empowerment, participation, social mobility, social cohesion, security of cultural identity and institutional development) and ecological goals (ecosystem integrity, carrying capacity, biodiversity and protection of the global commons).

In Rio de Janeiro in 1992, the Earth Summit secretariat estimated that over \$600 billion a year, through the year 2000, would be needed in the developing countries to carry out activities listed in *Agenda 21*, the Rio action plan. Included in this figure, it was noted in the *Agenda 21* text, is "about \$125 billion in grant or concessional terms from the international community". As most donor governments set a target of increasing their development aid to 0.7 per cent of their gross domestic product (GDP) as soon as possible, and as 0.7 per cent of the combined GDP of donor countries was roughly equal to \$125 billion, the *Agenda 21* statement of how much money was needed for sustainable development became widely understood as a commitment to provide that amount of financial resources.

Many developing countries considered increased official development assistance (ODA) a crucial part of the Rio agreements, under which they placed environmentally beneficial restrictions on the exploitation of natural resources--restrictions which did not exist when the developed countries were industrializing.

Given that ODA had been rising steadily during the post-World War II period, and further that in 1992 the demise of the cold war seemed to promise the world a huge peace dividend, the \$125 billion target set at the Earth Summit did not seem at the time to be unrealistic. But the end of the cold war was more effective in eliminating great-power rivalry as a motivation for aid than it was in bringing about widespread disarmament.

As it turned out, ODA fell from 0.33 per cent of GDP in 1992 to 0.27 per cent in 1995, to the frustration of developing countries. These countries continue to call for confirmation that donor countries will strive to commit 0.7 per cent of their GDP to development assistance.

The ensuing debate has concentrated on the question of North-South financial flows, but attention is also being directed to the much larger amount of resources that need to be mobilized domestically, in both the developing and the developed countries, to achieve sustainable development (see box).

North-South flows

In contrast to stagnating ODA, foreign investment in developing countries has nearly tripled since the Earth Summit, with net private flows--foreign direct investment (FDI) and portfolio investment--to these countries reaching approximately \$230 billion in 1996. As a consequence, it is argued that private flows will have to play a decisive role in financing sustainable development. Certainly, many countries that have been primary beneficiaries of global investment, especially in East Asia, have seen significant reductions in poverty and a rising standard of living. And a number of studies indicate that enterprises run by transnational corporations pay higher wages and usually produce less harmful impacts on natural environments than do their domestic counterparts in developing countries.

Even those who are not private sector purists have argued that regulating and channeling private investment for the public good, including FDI, is a pragmatic means of promoting sustainable

investment for the public good, including FDI, is a pragmatic means of promoting sustainable development. To ensure that private investment supports rather than undermines environmental sustainability, it is necessary to implement environmental policies and regulations in the host countries, according to a just-released UN study, *Finance for Sustainable Development: the Road Ahead*.

But the likelihood that transnational corporations will spearhead a drive to sustainable development has been questioned in several quarters, notably among environmental action groups and the developing countries.

One important consideration is that three-quarters of cross-border investment flows to the developing world go to only 12 countries, and over the past three years, Sub-Saharan Africa has benefited from only 1 per cent of such flows, according to a 1997 World Bank report, *"Advancing Sustainable Development"*.

In preparing for the June General Assembly review, the United Nations Commission on Sustainable Development has emphasized that debt relief should be part of the overall financial package for achieving sustainable development. The recent World Bank--International Monetary Fund initiative to reduce the burden of highly indebted poor countries is not a panacea, but it does inaugurate a positive new paradigm for international action on attacking poverty, building national self-sufficiency and promoting sustainable development.

In addition to the question of the quantity of ODA is the issue of its quality. A "20/20 initiative" was presented to the 1995 Social Summit in Copenhagen, urging that at least 20 per cent of ODA, as well as of national budgets, should be devoted to meeting basic human needs. In addition, environmental and social action groups have called for the "untying" of foreign aid, i.e., eliminating the use of aid to advance the commercial or geopolitical interests of donor countries, so it can be devoted to its primary objectives of advancing sustainable development and eradicating poverty.

Subsidies

Government subsidies, especially on economic inputs such as energy, water, pesticides and fertilizer, tend to be inefficient as a means of either supporting living standards or promoting businesses, according to the United Nations Department for Policy Coordination and Sustainable Development, the secretariat for the Commission on Sustainable Development. Subsidies, except in cases of market failure, generally distort economic incentives by channelling investments to less-efficient enterprises. Since they are in essence a form of regressive taxation, they work against the poor. And by making natural resources artificially cheap and disguising the actual costs of use and replacement, they lead to depletion of water, forests and fisheries and the overuse of fossil fuels and fertilizers.

Removal of subsidies can be politically difficult, as benefits are concentrated on well-defined interest groups while costs are widely diffused among consumers and non-subsidized producers. Nevertheless, budgetary pressures, economic crises and efficiency considerations have led to considerable subsidy reductions. A 1996 World Bank study estimates that environmentally damaging subsidies have been reduced by half during the 1990s, although they still total more than \$400 billion a year. The UN study on *Finance for Sustainable Development* finds that China and Russia have achieved significant reductions in energy subsidies, and several Asian and Latin American nations have cut agricultural subsidies and raised charges for use of natural resources. New Zealand, the Netherlands and the United States are among the developed countries that have taken steps to reduce agricultural subsidies, via domestic policy decisions as well as multilateral negotiations.

Economic instruments

Charges on pollution, tradeable emission permits (which allow firms to sell governmentally assigned "pollution rights" to other firms for whom pollution reduction would have been more costly) and deposit-refund schemes will advance environmental goals more effectively and at a lower cost than traditional command-and-control regulations, economists argue. Empirical studies have concluded that widespread application of such economic mechanisms would enable developing as well as developed countries to reduce the cost of achieving pollution-control objectives by as much as 60 to 90 per cent.

There is already a considerable body of experience that bears out the effectiveness of these measures, if accompanied by strong institutions in the environmental sector and complementary use of a regulatory approach.

User charges and environmental taxes produce a double benefit (as does the removal of environmentally damaging subsidies): they generate fiscal resources while pushing consumer and producer behaviour in a more sustainable direction. They achieve the latter objective by causing prices of goods to reflect more of the social and environmental costs of production and consumption. This raises economic efficiency in the broad, social welfare sense, and makes market forces into an ally of the environment.

Global environmental funding agencies

The major funding source for protecting the global ecology inspired by the Earth Summit is the Global Environment Facility (GEF). It has been allocated approximately \$2.8 billion over six years for projects that address the global issues of climate change, biodiversity and protection of international waters. Another fund, capitalized at over \$225 million, is dedicated to implementing the Montreal Protocol on Ozone Depletion.

The issue of international commitment to these funds is coming to the fore in the latter half of 1997, when the GEF is due to be replenished for three more years.

International taxes

A recent proposal for a levy on fuel used for international air travel supplements a 1978 proposal by United States economist James Tobin to tax international financial transactions. The hope is that substantial sums could be devoted to the internationally endorsed goal of sustainable development, at the cost of only a few cents on each cross-border financial transaction or only a few dollars added to each passenger's overseas airline trip.

Critics of the international taxes point to practical difficulties in implementing such levies. The main obstacle, however, is likely to be general political opposition to the idea of new taxes, along with reluctance of national governments to cede taxing rights to a supra-national authority.

\$1.2 trillion available through domestic policy reforms

A large part of the extra financial resources needed to take on endemic poverty and environmental degradation can be mobilized through national policy decisions, according to a United Nations report, with contributions from the World Bank, the International Monetary Fund, the Organization for Economic Cooperation and Development, other international agencies and leading universities. The publication, *Finance for Sustainable Development: the Road Ahead* (UN sales publication number E.97.II.A.5), will be released 23 June, at the UN General Assembly review of follow-up to the 1992 Earth Summit.

A chapter by three IMF experts makes an "heroic 'order of magnitude' estimate" and finds that the world's governments have the capacity to generate additional financial resources of \$1.2 trillion each year (out of total world GDP of \$30 trillion) through domestic reforms.

A breakdown of where the money would come from:

Additional revenues

\$300 billion--expanding tax bases and perfecting tax collection

\$150 billion--levy of charges and fees for exploitation of natural resources, including water, fisheries, forests and minerals

\$100 billion--taxes on gasoline

\$55 billion--taxes on the carbon content of fossil fuels, including coal, fuel oil and gas

Savings on public expenditures

\$435 billion--elimination or better-targeting of unproductive and environmentally harmful governmental subsidies

\$90 billion--cuts in unproductive government expenditures

\$70 billion--cuts in military spending \$1,200 billion total

Four fifths of this amount would be mobilized in the industrialized countries, and one fifth or more in the developing countries. These estimates, the authors note, do not take into account the substantial additional financial resources which could be generated through macro-economic and structural reforms.

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EARTH SUMMIT+5

Special Session of the General Assembly to Review and Appraise
the Implementation of Agenda 21

New York, 23-27 June 1997

TENTATIVE SCHEDULE OF ACTIVITIES FOR SPECIAL SESSION OF GENERAL ASSEMBLY ON REVIEW OF IMPLEMENTATION OF AGENDA 21

Following is a tentative schedule of activities to be held during the special session of the General Assembly to review and appraise the implementation of Agenda 21, which will be convened at United Nations Headquarters in New York from 23 to 27 June.

Schedule of journalists briefings 16-23 June

MONDAY, 23 JUNE

9:00-10:00 The President of the General Assembly and the Secretary- General greet heads of delegations (North Delegates Lounge)

10:00-1:00 Opening of the special session (statements by the President of the Assembly and the Secretary-General; organizational matters; debate begins)

Time to be Daily briefing for journalists announced

11:15-2:45 Lunch hosted by the Secretary-General in honour of heads of State/government

1:15-2:45 Side-Event: World Wildlife Fund (WWF) presentation on the implementation of Agenda 21 -- presentation of the case study manual that highlights successful sustainable development projects, based on WWF research

3:00-6:00 Plenary meeting (debate continues)

First meeting of the Committee of the Whole (organizational matters; statements)

6:15-8:00 Side-Event: Panel "Agenda 21 for the Amazon Region" organized by Brazil

NOTE: From 23 to 25 June, the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the United States National Oceanic Atmospheric Administration will open the research ship "RUDE" to the special session participants.

TUESDAY, 24 JUNE

9:00-10:00 The President of the General Assembly and the Secretary- General greet heads of delegations (West Foyer)

9:00 Opening of an Exhibition on Sustainable Technologies organized by the United Nations Development Programme (UNDP), the Department for Policy Coordination and Sustainable Development, the United Nations Environment Programme (UNEP), the World Bank and Canada (Public Lobby)

10:00-1:00 Plenary meeting (debate continues)

Committee of the Whole (statements; negotiations on the final documents)

Time to be Daily briefing for journalists announced

1:15-2:45 Side Event: Business Roundtable co-led by the President of the General Assembly and the World Business Council for Sustainable Development (lunch by invitation)

1:15-2:45 *Side Event*: Panel on Health, Environment and Sustainable Development (World Health Organization (WHO) -- presentation of the report "Health & Environment in Sustainable Development: Five Years after the Earth Summit", followed by a discussion

Side Event: Briefing by UNESCO "Learning - the Treasure Within" -- presentation by Director-General, Federico Mayor, of the report of the International Commission on Education for the Twenty-first Century (Delors Commission)

2:00-5:00 *Side Event*: (Dag Hammarskjold Auditorium) Panel on Consumption Patterns in Human Settlements, organized by the United Nations High Commissioner for Refugees (UNHCR) and the Department for Policy Coordination and Sustainable Development

3:00-6:00 Plenary meeting (debate continues)

Committee of the Whole (negotiations continue)

6:15-8:00 *Side-Event*: Panel on Population, Women and Environment (United Nations Population Fund (UNFPA)), chaired by Dr. Nafis Sadik, Executive Director of UNFPA, comprised of a number of distinguished women from the North and the South

Side-Event: Youth Agenda 21 Award Ceremony. Organized by Rescue Mission International, with support of the Governments of Finland and Canada.

WEDNESDAY, 25 JUNE

9:00-10:00 The President of the General Assembly and the Secretary- General greet the heads of delegations (West Foyer)

9:30-9:50 *Side-Event*: Presentation by Rotary International to the United Nations of the "Protect the Planet Earth Trophy"

10:00-1:00 Plenary meeting (debate continues)

Committee of the Whole (negotiations continue)

Time to be Daily briefing for journalists announced

1:15-2:45 Lunch hosted by the Secretary-General in honour of heads of State/government

1:15-2:45 *Side-Event*: Presentation by the Massachusetts Institute of Technology on Global Partnerships on Technological Innovations for Sustainability

Side-Event: Launching of the joint World Conservation Union (IUCN)/World Business Council for Sustainable Development Guidelines on Biodiversity, a first joint attempt by scientists and business people to develop cooperative and constructive approaches to protection of biological diversity

Side-Event: High-Level Panel on Capacity-Building (UNDP) (lunch by invitation)

3:00-6:00 Plenary meeting (debate continues)

Committee of the Whole (negotiations continue)

6:15-8:00 Side-Event: Roundtable on the Role of Indigenous Peoples in the Implementation of Agenda

21. Organized by WWF and the International Alliance of Indigenous and Tribal Peoples of the Tropical Forests.

Side-Event: Presentation of the book *Mountains of the World: a Global Priority* (Switzerland, Food and Agriculture Organization (FAO), International Development Resource Center (IDRC), and UNESCO, followed by a discussion

THURSDAY, 26 JUNE

9:00-10:00 The President of the General Assembly and the Secretary- General greet heads of delegations (West Foyer)

10:00-1:00 Plenary meeting (debate continues)

Committee of the Whole (negotiations continue)

10:00-6:00 *Side-Event:* (Dag Hammarskjold Library) "Japan Room": video presentations, exhibits of posters

Time to be Daily briefing for journalists announced

1:15-2:45 *Side-Event:* National Councils for Sustainable Development (Earth Council)

3:00-6:00 Plenary meeting (debate continues)

Committee of the Whole (expected to finish negotiations; may go into late-night session)

6.15-8.00 *Side-Event:* Third World Network (details to be provided at a later date)

FRIDAY, 27 JUNE

10:00-1:00 Plenary meeting (debate continues)

Time to be Daily briefing for journalists announced

1:15-2:45 *Side-Event:* Third World Network (details to be provided at a later date)

3:00-6:00 Plenary meeting (conclusion of the debate, adoption of the final documents, closing of the special session)

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EARTH SUMMIT+5

Special Session of the General Assembly to Review and Appraise
the Implementation of Agenda 21

New York, 23-27 June 1997

FIVE YEARS AFTER RIO: WHERE DO WE STAND?

The Big Picture

Positive: Growth in world population is slowing, food production is rising, the majority of people are living longer and healthier lives, and environmental quality in some regions is improving.

Negative: The growing scarcity of fresh water, loss of productive agricultural land and downward spiral of poverty for many threaten to undermine these gains and cause collapse of local economies.

Overall: Global catastrophe is not imminent, but business-as-usual is not likely to result in sustainable development -- that is, a desirable balance of economic growth, equitable human development and healthy, productive ecosystems. (Source: *Critical Trends*, UN, 1997)

Poverty

Situation: Gaps between rich and poor continue to grow, both within and between countries, attributed by some to the effects of globalization. The poorest countries have become even more marginalized. Over 1.1 billion people -- 20 per cent of the world's population -- live in absolute poverty, on the equivalent of less than one dollar a day.

Action Taken: At the 1995 Social Summit in Copenhagen, world leaders pledged to eradicate poverty by a target date to be set by each country and to increase spending on basic social services.

Proposals: The draft political declaration for Earth Summit+5 calls on Governments to reduce by half, by the year 2015, the proportion of people living in absolute poverty. In the draft final document, Governments are also urged to implement the Social Summit action plan.

Consumption/Production

Situation: Twenty per cent of the world's people continue to consume eighty per cent of its resources. Some large developing countries are moving rapidly toward higher-consumption lifestyles.

Action Taken: In industrialized countries, Governments and industry are making steady progress on recycling, using more efficient technologies and reducing waste; there is growing consumer awareness.

Proposals: To increase eco-efficiency, the European Union has proposed "Factor 10", a goal of ten-fold improvement in productivity in the long term, with perhaps an intermediate goal of "Factor 4", a four-fold improvement over the next two or three decades. Governments have agreed on the need to reflect environmental costs in the price of goods and services.

Population

Situation: Fertility rates are declining more rapidly than expected in most regions. Latest projections show many developing countries will stabilize population within the next generation or two. Some countries still face high population growth rates that strain natural resources.

Action Taken: The 1994 Cairo Conference adopted a strong action plan with concrete targets, including that family planning be available to all by 2015. Many Governments have strengthened national policies,

although international funding committed in Cairo has not materialized.

Proposals: Governments are expected to reaffirm support for the Cairo goals.

Forests

Situation: In spite of a recent downward trend, forest loss continues at an unacceptable rate. A total of 13.7 million hectares of forest -- roughly the size of Nepal -- are cut or burned each year.

Action Taken: Based on the Forest Principles adopted in Rio, an Intergovernmental Panel on Forests agreed to over 100 action proposals for sustainable forest management when it concluded two years of talks in March 1997.

Proposals: Governments have shown strong support for immediate implementation of the already agreed recommendations, but remain divided over whether to begin negotiations for a legal convention on forests.

Fresh Water

Situation: One third of the world's population lives in countries facing moderate to severe water stress; by 2025 that figure may reach two thirds unless action is taken. One fifth of humanity lacks access to safe water and half lack adequate sanitation.

Action Taken: Progress in implementing the Rio recommendations has been limited.

Proposals: Expressing strong concern about a possible impending water crisis, Governments have called for discussions to consider a global strategy at the 1998 session of the UN Commission on Sustainable Development.

Oceans

Situation: Marine pollution -- about 80 per cent of which is caused by land-based activities -- threatens the health and livelihoods of the two thirds of humanity living in coastal areas. Some 60 per cent of global fish stocks are overfished or fully fished, requiring urgent action to avoid depletion.

Action Taken: An international agreement to combat land-based sources of marine pollution was adopted in 1995, and negotiations have begun for a treaty to control persistent organic pollutants such as PCBs (polychlorinated biphenyls) and dioxin. The UN legal agreement on fish stocks was adopted in 1994 but has not yet entered into force. Initiatives on coastal zone management and coral reef protection have spurred greater awareness and some action.

Proposals: Governments have agreed on the general need to eliminate overfishing, consider the impact of subsidies to fishing fleets, and strengthen implementation of existing agreements on marine pollution and sustainable use of oceans.

Climate

Situation: Global emissions of carbon dioxide and other greenhouse gases continue to rise. A 1995 report by a UN panel of scientists stated that the balance of evidence suggests a "discernible human influence on the global climate".

Action Taken: The UN Convention on Climate Change, signed in Rio, has been ratified by 166 countries, but few developed countries will meet the aim of reducing emissions of greenhouse gases to 1990 levels by 2000. The parties to the Convention have begun negotiations to strengthen the commitments, and are scheduled to adopt legally binding targets for developed countries in Kyoto, Japan, this December.

Proposals: To send a signal to the Kyoto meeting, the European Union has proposed that in the Earth Summit+5 document, Governments agree to a 15 per cent reduction in emissions below 1990 levels by 2010. The Alliance of Small Island States has called for a 20 per cent reduction below 1990 levels by 2005. Several countries prefer that specific targets be negotiated at the December meeting.

Energy

Situation: Fossil fuel use in industrialized countries is slowly stabilizing, but many polluting emissions are on the increase. Rapid growth in fossil fuel use in many developing countries is leading to severe pollution. Global energy consumption is projected to more than double by 2050. Over 2 billion people, mostly in rural areas in developing countries, do not have access to commercial energy services.

Action Taken: No major international initiatives were taken at Rio. Some progress has been made in renewable energy technologies, energy conservation and efficiency, but few countries are pursuing alternative energy sources.

Proposals: Governments agree on the need for talks, under the UN, leading toward a strategy or recommendations on sustainable energy; details are under discussion. Developing countries seek commitments for transfer of clean energy technologies and concessional financing. Proposals to eliminate subsidies for fossil and nuclear energy have proven contentious.

Land

Situation: World food production continues to rise, but over 800 million people still suffer from hunger and malnutrition. Use of pesticides and poor farming methods have taken a heavy toll: 300 million hectares of farmland worldwide are now severely degraded and farming abandoned. Another 1.2 billion hectares show moderate fertility loss. Desertification (degradation of drylands) affects one quarter of the Earth's land area -- 3.6 billion hectares.

Action Taken: The Convention to Combat Desertification -- which was negotiated after the Earth Summit and entered into force in December 1996 -- has spurred new approaches and aid partnerships. The 1996 World Food Summit called for at least halving the number of hungry people by 2015.

Proposals: Governments have agreed to combat soil degradation, promote sustainable agriculture, put the Food Summit recommendations into action, and ratify and implement the Desertification Convention. Proposals concerning the global mechanism set up to fund the Convention are unresolved.

Toxics

Situation: Toxic chemicals and radioactive wastes continue to pose significant threats to human health and ecosystems. An estimated 3 million tons of toxic and hazardous waste crosses national borders each year.

Action Taken: The Basel Convention was strengthened in 1995 to ban the export of hazardous wastes from developed to developing countries, but this ban has not yet become legally binding. Timetables have been set for negotiations on legal agreements obligating those countries shipping toxic wastes to obtain "prior informed consent" and regulating persistent organic pollutants. Two new international bodies on chemical safety have been established, and a growing number of domestic regulations have been complemented by voluntary industry initiatives.

Proposals: Governments have agreed that safe substitutes for toxics should be developed and those technologies transferred to poorer countries. The Basel Convention should be further strengthened to define hazardous wastes covered, and a protocol should be negotiated on liability for damage from hazardous wastes shipped across national borders. Governments have agreed on the need to support the clean-up of contaminated sites from nuclear activities. Still not agreed: that radioactive waste should be stored or disposed of in the country in which it is generated, and as close to its source as possible, and that Governments should clean up contaminated sites left from military activities using nuclear

materials. Also contentious: that Governments should accelerate the phasing out of leaded gasoline as soon as possible.

Biodiversity

Situation: The current rate of species extinction and habitat loss is unprecedented. At a moderate estimate, 50,000 plant and animal species are likely to be lost each year over the next decades.

Action Taken: The Convention on Biological Diversity, ratified by 161 countries since Rio, obligates Governments to protect plant and animal species through habitat preservation and other means, but national action is insufficient to counter devastation from unregulated development and pollution. Treaty parties will focus on national implementation for the first time at their 1998 meeting.

Proposals: Governments have agreed to continue efforts to implement the biodiversity treaty, and to complete a protocol on biosafety.

Financing

Situation: Despite developed country pledges at the Earth Summit to increase aid for sustainable development, official development assistance declined from an average 0.34 per cent of donor country gross national product (GNP) in 1992 to 0.27 per cent in 1995. The UN target affirmed at Rio is 0.7 per cent of GNP.

Action Taken: The Global Environment Facility (GEF) has channeled \$2 billion into projects since 1994. The World Bank and Paris Club have made limited progress on debt relief. Foreign investment by the private sector has risen sharply in some developing countries, but does not always promote sustainable development.

Proposals: Developing countries seek a recommitment to the Rio pledges. Donor countries are urged to provide new and additional resources through a "satisfactory" replenishment of the GEF. The European Union has proposed an international tax on aviation fuel to fund sustainable development. An Intergovernmental Panel on Finance has been proposed.

Technology Transfer

Situation: Developing countries urgently need greater access to environment-friendly technologies in order to develop sustainably. Most green technologies are held by the private sector and access is market-driven.

Action Taken: Some progress has been made through the UN on improving information about new technologies and encouraging financing partnerships in developing countries, but many countries continue to be marginalized from private sector investment and the technologies it can bring.

Proposals: Governments agree on the need to create an environment conducive to private-sector technology investment, including a legal and policy framework, and to continue promoting public-private partnerships.

International Institutions

Situation: Better coordination and collaboration is needed among the ever-growing number of policy-setting bodies in the area of sustainable development. The on-going financial crisis affecting many UN agencies and programmes has left many hard-pressed to carry out both their original mandates and those stemming from Rio.

Action Taken: The Earth Summit catalysed many new institutional arrangements. The UN Commission on Sustainable Development (CSD), set up after Rio, has become a central forum to review and urge implementation of Agenda 21 and other agreements. The UN Inter-Agency Committee on Sustainable

Development now coordinates how agencies and programmes divide up responsibility on areas of expertise.

Proposals: Governments have agreed that the CSD should continue its central role; details of its work programme for the next five years are still being worked out. They have also agreed that the role of the UN Environment Programme (UNEP) should be enhanced, and that a revitalized UNEP should be supported by adequate funding. The next major General Assembly review of Earth Summit follow-up after this year would be in 2002.

Participation

Situation: The Earth Summit identified nine "major groups" whose active involvement was needed to achieve sustainable development: women; children and youth; indigenous people; non-governmental organizations; local officials such as mayors; workers and trade unions; business and industry; scientists; and farmers.

Action Taken: Some 150 countries have established national councils on sustainable development or similar bodies, many of which bring together Government officials, business executives, environment activists and other major group leaders to recommend national policies. Over 1,800 cities and towns have drawn up a local Agenda 21 based on the Rio document. All the major groups have been actively networking and promoting public awareness of and policies for sustainable development. Through a series of dialogue sessions at the CSD, they have provided input to the Earth Summit+5 talks.

Proposals: Governments have agreed that input by major groups into work on sustainable development should continue to be strengthened.

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EARTH SUMMIT+5

Special Session of the General Assembly to Review and Appraise
the Implementation of Agenda 21

New York, 23-27 June 1997

Action to promote sustainable development worldwide will be the focus of a special session of the United Nations General Assembly when it meets in New York from 23 to 27 June 1997.

Earth Summit+5, as the special General Assembly session is called, is expected to draw the attendance of heads of State and Government. It will review and appraise implementation of *Agenda 21*, and other commitments adopted by the UN Conference on Environment and Development, popularly known as the Earth Summit, held in Rio de Janeiro, Brazil, in 1992. *Agenda 21* contains strategies for preventing environmental degradation and for establishing a basis for a sustainable way of life on the planet into the twenty-first century.

"The special session should take a hard, honest and critical look at what has been done and what has not been done since Rio", says Mr. Razali Ismail, President of the General Assembly. "We need to recall and re-emphasize the compact that brought about the Earth Summit."

Aims of *Earth Summit+5*

The Earth Summit review will:

- Assess global progress made in sustainable development since Rio
- Show that sustainable development works by highlighting stories of successful efforts being made by people around the world
- Identify reasons why goals set in Rio have not always been met and suggest corrective action
- Highlight special issues -- such as finance and technology transfer, patterns of production and consumption, use of energy and transportation, scarcity of freshwater -- and identify priorities for future action
- Call on Governments, international organizations and major groups to renew their commitment to sustainable development.

What has happened since Rio

In 1992, the representatives of the 172 Governments attending the Earth Summit agreed that urgent action was needed to promote economic and social development while preserving and protecting the environment.

Three key documents were adopted at the Summit:

- *Agenda 21*, a comprehensive plan for global action in all areas of sustainable development
- The Rio Declaration on Environment and Development, a series of principles defining the rights and responsibilities of States

- o The Forest Principles, guidelines for the sustainable management of forests worldwide.

The United Nations established the UN Commission on Sustainable Development (CSD), which monitors and guides implementation of *Agenda 21* and other Rio commitments.

As a result of the Summit, the United Nations:

- o Convened a Global Conference on the Sustainable Development of Small Island Developing States (May 1994)
- o Negotiated the UN Convention on Desertification (which enters into force on 26 December 1996)
- o Negotiated the UN Agreement on Straddling and Highly Migratory Fish Stocks (opened for signing on 4 December 1995).

In 1995, the UN Intergovernmental Panel on Forests was set up by the Commission to promote the sustainable management of forests worldwide.

Two international legal agreements -- the UN Convention on Biodiversity and the UN Convention on Climate Change -- were opened for signing in Rio and have since entered into force.

Preparations for *Earth Summit+5*

The UN Commission on Sustainable Development is at the centre of preparations for *Earth Summit+5* and related events.

Two official preparatory meetings will be held in New York in 1997:

- o The Ad Hoc Intersessional Working Group of the Commission on Sustainable Development, from 24 February to 7 March
- o The Fifth Session of the Commission on Sustainable Development, from 7 to 25 April.

At these meetings, Governments will negotiate documents to be adopted by the special General Assembly session.

A number of events are being organized by Governments, UN agencies and major groups around the world to assess progress in preparation for the special General Assembly session.

Non-governmental participation

The 1992 Earth Summit in Rio de Janeiro was enriched by the participation of non-governmental organizations (NGOs) and major groups in numbers never before seen at United Nations events. Their involvement reflected the importance attached to the role of civil society in sustainable development, a role that continues to be emphasized by the Commission on Sustainable Development.

Agenda 21 identifies nine "major groups" as partners with Governments in the global implementation of the Rio agreements. They are:

- o women
- o farmers
- o young people
- o trade unions

- o business and industry
- o local authorities
- o scientists
- o indigenous peoples
- o NGOs working in environment and development

During the official 1997 preparatory meetings being held in New York, a number of parallel events will be organized by these major groups. The April meeting of the Commission will include a week-long series of dialogue sessions with major groups. Special panel discussions, exhibitions and other activities are planned during the special General Assembly session in June.

Earth Summit +5 information to look for

- o Success stories -- examples of people around the world taking steps to implement *Agenda 21* and make their communities more sustainable
 - o Trends report -- an analysis by the UN highlighting major trends in sustainable development over the past 25 years and their implications for the future
 - o Comprehensive report -- an assessment of achievements and failures since the Rio Conference, identifying emerging priorities for the next century
 - o Country profiles -- descriptions of what individual countries have done to translate the Earth Summit agreements into action.
-

Background

The roots of *Earth Summit+5* reach back to the UN Conference on the Human Environment in 1972, which put environment on the international agenda for the first time. By 1983, the relationship between economic development and its impact on the environment had become the subject of inquiry by the UN World Commission on Environment and Development, known as the Brundtland Commission.

In its 1987 report, *Our Common Future*, the Commission defined sustainable development as "that which meets the needs of the present without compromising the ability of future generations to meet their needs", and called for strategies for integrating environment and development. As a result, the UN General Assembly decided in 1989 to hold a conference that would produce these strategies, and the UN Conference on Environment and Development, or Earth Summit, was held in Rio de Janeiro from 3 to 14 June 1992.

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Information relating to *Earth Summit+5* is also available on the World Wide Web:
<http://www.un.org/dpcsd/earthsummit>



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Earth Summit + 5 Exhibit

Sustainable Development in Action

This multimedia exhibit, organized by Environment Canada with help from UNDP, is located in the visitors' lobby and consists of five themes:

- ◊ Energy for the Future
- ◊ The Greening of Industry
- ◊ Innovation for Sustainable Development
- ◊ Global Issues
- ◊ People and Sustainable Development

Each thematic section of this exhibit is designed by a group of organizations with interest in the subject. The World Bank is participating in the Global Issues exhibit in the section entitled *Our Common Planet*.

Our Common Planet

This section of the exhibit is put together by a partnership of the GEF, World Bank, UNDP, UNEP, Montreal Protocol and UNIDO. It consists of four 10' x 10' booths devoted to:

- ◊ Biodiversity
- ◊ Climate Change
- ◊ Ozone Protection
- ◊ International Waters

Each booth covers the challenges and projects which represent the strategic approaches being applied in response to the those challenges. The breakdown is:

BIODIVERSITY

CHALLENGES

- ◊ *conserving biological diversity*
- ◊ *sustainably using its components*
- ◊ *sharing the benefits arising from the use of genetic resources*

RESPONSES

Ecosystem Management

The Seychelles Biodiversity Conservation & Marine Pollution Abatement Project

Integrated Coastal Zone Management

Argentina Patagonian Coastal Zone Management Plan

Sustainable Use and Conservation:

Ethiopia Dynamic Farmer-Based Approach to the Conservation of African Plant Genetic Resources
Bhutan Trust Fund for Environmental Conservation

CLIMATE CHANGE

CHALLENGES

- ◊ *stabilizing greenhouse gas concentrations to a level that would prevent dangerous human interference with the climate system*
- ◊ *promoting the development and transfer of technologies that control, reduce or prevent greenhouse gas emissions*

RESPONSES

Alternative Energy Development

Zimbabwe Wind and Solar Energy Development

India Alternate Energy

Energy Efficiency

Mexico High Efficiency Lighting Pilot Project

INTERNATIONAL WATERS

CHALLENGE

- ◊ *ensuring that the coastal, marine and aquatic environment is managed and sustainably used*

RESPONSES

Regional Cooperation

Black Sea Environmental Management and Protection

Sustainable Use and Conservation

Lake Tanganyika

Integrated Coastal Zone Management

Belize Sustainable Development & Management of Biologically Diverse Coastal Resources

OZONE LAYER PROTECTION

CHALLENGE

- ◊ *controlling and eliminating the emission of substances that deplete the ozone layer*

RESPONSES

spectrum of projects funded through the Multilateral Fund of the Montreal Protocol

Current

*Questions & Answers
on
Sustainable Development*

Spring 1997

*The World Bank Group
For Staff Use Only*

The Bank sees economic growth as an important element in the protection of the vulnerable groups. However, in most countries undergoing reform, there is a need for more direct intervention to protect the poorest. The Bank is working with all countries to develop poverty programs that integrate a range of benefits (social insurance and social assistance) with more proactive programs designed to assist the poor to become self sufficient in the longer term. The major problem in these countries is posed by fiscal constraints, and the Bank has lending programs in most countries in transition to build capacity to identify and better target the poorest.

Q. Does the Bank have a policy on child labor?

A. Although the Bank does not have a formal policy as such, there is a strong consensus about how the problem of harmful child labor should be tackled. This is most clearly expressed in the 1995 *World Development Report* which argues that a multi-faceted attack on the problem is needed. The main ingredients of this approach are: safety nets to protect the poor, improved access to quality education, and a gradual improvement of the enforcement of legislation. It is also important that these efforts be coordinated through local communities, NGOs and government. The Bank already does much to combat the use of harmful child labor through its many initiatives to reduce poverty and its support for basic education, but is now considering other approaches, specifically targeted at harmful child labor reduction.

Q. What is the Bank doing in the area of labor market reforms?

A. The Bank helps governments reform labor markets in two main ways. First, we advise on introducing/amending specific labor regulations and policies that would increase efficiency while improving the labor outcomes of the poor. Care is exercised here to ensure that labor standards and workers welfare are not affected adversely. Second, the Bank supports labor reforms through its lending for a range of activities such as the strengthening of labor intermediation services, the introduction of training and retraining programs, increasing the availability of microenterprise credit, improving female access to labor markets, and job creation through public works programs. Since last year, the Bank can finance severance awards to workers affected by privatization to compensate them for the temporary loss of income associated with downsizing, and facilitate their entry into other jobs or self-employment. All of the Bank's assistance for labor reform is supported by economic and sector work and other research.

Q. Is the Bank concerned about the introduction and sustainability of pension systems in client countries?

A. While pension systems are relatively new for the Bank, we are heavily involved in pension system reform in some 30 countries, through adjustment lending, project lending, and technical assistance. Bank work in this area began with the publication of *Averting the Old Age Crisis* in 1994 which thoroughly evaluated existing pension schemes worldwide and developed a policy framework to guide future Bank work. The Bank now has a small staff devoted to pensions, and recently concluded major adjustment loans to Argentina and Mexico, to support pension system reforms. The Bank has also provided technical assistance to China and Russia, as well as to a host of smaller countries in every region of the world. Project lending in this area includes financing improvements in administrative efficiency in countries such as Romania and Latvia.

Service and technical assistance promote energy efficiency and conservation in two basic ways: economic and pricing policy, and regulatory and technical policy.

Economic and pricing policy:

- *Creating a stable economy.* Energy investments tend to be big and long-term. The more confidence people have in government policy, inflation, exchange and interest rates, the more easily they can plan ahead.
- *Improving price efficiency in energy supply and use.* Electricity is widely subsidized in developing countries. Subsidies inflict financial losses and inflate demand. But, on average, a 1 cent (US) increase per kilowatt hour in electricity prices would cut demand by 7 percent. Full market pricing could cut demand by 30 percent. Costs on which prices are based should include regulatory compliance and environmental protection. The aim is to make efficiency profitable, not electricity sales unprofitable.
- *Openness to private investment.* Competition improves efficiency and lowers costs.

Regulatory and technical policy:

- *Independent regulation.* Independent regulation—particularly important for monopolies—ensures rules, for example governing pricing and investment, are open and objective.
- *Providing information to consumers and investors.*
Setting codes and standards.
- *Improving administration of power systems.* Transmission losses are heavy in many developing countries.
- *Advising on technology.* The Bank advises on the most suitable technology, both for efficient power generation and for end-use conservation (such as equipment which uses less power).

A key element in improving conservation and efficiency is *better sources of rural energy*. Some 2 billion people lack electricity, and the same number cook with dung and wood—which is wasteful and socially and environmentally damaging. In the medium term, the Bank encourages more sustainable and healthier ways of using wood and dung, and in the long term backs conversion to modern fuels.

Q. What is the Bank doing about the problems of supplying rural energy?

A. In recent years the Bank's work in energy has largely focused on making existing energy supply and consuming industries more efficient, opening them up to competition, and encouraging private sector participation. In many countries for example, electricity prices are heavily subsidized. These subsidies often benefit the wealthiest households the most. They also undermine the financial health of utilities, making it difficult for them to extend services to rural areas. The Bank is not concentrating on reforming existing energy markets alone. Any reform will fail in the long run if it does not benefit the whole population. The assumption is no longer true that traditional forms of energy such as coal, oil and gas, are the only modern forms of energy suitable for rural areas. Policymakers, governments, NGOs and the private sector should

ire elaborate and expensive administrative support have a better chance of success. Building capacity for improved environmental management is an important but longer-term process.

Engaging the Public: Since governments rarely lead in the cause of environmental reform—but more often respond to public pressure—the role of an informed and involved citizenry is crucial. Engaging the public, both to inform them about the costs of environmental degradation or pollution, and to involve them as advocates for reform, is facilitated by open exchange of information, and more open societies. Some of the most polluted places on earth were in parts of Eastern Europe and the former Soviet Union where environmental protests and debates were not tolerated. Without the combination of an informed and involved public, and a committed government, the best laws and legislation are likely to have little impact.

Seeking Policy Integration. One of the lessons from Rio is that the environment and economic development are inextricably linked.

For example, economic liberalization can exacerbate environmental problems. Increased access to international markets can put pressure on national resources where property rights and resource pricing regimes are inadequate, leading to excessive exploitation. And, to the extent that liberalization leads to growth in production and incomes, this may lead to pollution emissions. The bottom line, of course, is for countries to ensure that policy reforms of the sort highlighted in the Policy Matrix are established to work in conjunction with the process of economic liberalization.

These lessons show that there is great potential for environmental reform, but tempered with the reality that money is scarce and that major institutional issues need to be addressed.

Q. What is the Bank doing to help mitigate the effects of global warming caused by increased energy use in the developing countries?

A. The Global Environment Facility (GEF) was specifically set up to address international environmental concerns including global warming. Complementing the GEF program is a new initiative by the Bank called the “Solar Initiative” that aims to intensify preparation and financing of commercial and near-commercial renewable energy applications, and to facilitate international research, development, and demonstration of renewable energy technologies. The Bank recognizes that reducing carbon emissions through efficiency improvements will not be sufficient to reduce global warming. It is important to start developing non-carbon-emitting energy production technologies for the future.

Q. Is the Bank looking at the development of alternative energy sources and new technologies to reduce dependence on oil and coal?

A. The Bank aims to help developing countries find economic alternatives to oil and coal. Intensive efforts are being made to develop renewable energy projects at two levels: large-scale grid-connected applications and small-scale off-grid systems for rural use to provide lighting, water pumping, and energy for communal facilities. An example is the \$280 million India Renewable Energy Project that has components for the development of small hydropower

eting in June 1994, the Bank was asked to provide information about its priorities and programs in some 15 areas.

The Bank has also sent technical specialists to several meetings of both the Climate Change and the Biodiversity Conventions. In addition to its own projects and programs in Africa and Asia that contribute to combating desertification, the Bank has participated in the drafting of the International Convention to Combat Desertification. As an active observer throughout the proceedings, the Bank provided technical input to negotiations, and will continue to work closely with the Convention Secretariat and the Conference of Parties to assist in the implementation of the Convention.

Q. What is the Bank's policy on toxic wastes?

A. The policy is:

- Not to finance projects in any country borrowing from the Bank that involve the disposal of hazardous or toxic wastes from another country.
- Neither the oceans nor any developing country should be put at risk through dumping, transshipment or disposal of toxic or hazardous wastes produced in one country and transported to another.
- A strict and complete prohibition on ocean dumping.
- Backing for efforts to draw up standards and codes of practice for the safe transport, transfer, storage and disposal of hazardous or toxic waste.
Help for borrowing countries to improve waste management through recycling, recovery, reprocessing and safe disposal.
- To provide technical guidance to task managers and borrowers, the Bank produced (with the World Health Organization and the United Nations Environment Programme) a three-volume study: *The Safe Disposal of Hazardous Wastes—the Special Needs and Problems of Developing Countries* (1989).

GLOBAL ENVIRONMENT FACILITY (GEF)

Q. What is the World Bank's role in the GEF?

A. The World Bank shares the responsibility for implementing GEF activities with the United Nations Development Programme (UNDP) and United Nations Environment Programme (UNEP):

- The UNDP is primarily responsible for technical assistance activities and capacity building. Through its worldwide network of offices, UNDP helps to identify projects and activities consistent with the purpose of the GEF and national sustainable development strategies. It is also charged with running the Small Grants Programme for non-governmental organizations (NGOs) and community groups around the world.
- UNEP is responsible for catalyzing the development of scientific and technical analysis and advancing environmental management in GEF-financed activities. It also

Q. Why does the Bank finance large infrastructure projects that sometimes require resettlement?

A. Infrastructure services—power, transport, telecommunications, water supply, sanitation, and waste disposal—are central to the activities of households and to economic production. In the developing world, more than 2 billion people still lack access to electricity and use wood and dung for their energy needs. One billion lack access to clean, piped water, and 1.7 billion lack sanitation, contributing to the deaths of 2 to 3 million infants and children each year. It is inconceivable that developing countries' citizens would get more electricity, transport, sanitary facilities, and other amenities without significant construction that would result in resettlement. In fact these countries are now investing several hundred billion dollars in new infrastructure.

Q. How many people do Bank-financed projects displace?

A. Over the last decade, each year, on average, the Bank has invested in about 20 projects causing resettlement (out of a total of more than 200 projects approved each year). Between 200,000 and 300,000 people each year are resettled by all the projects the Bank finances, although this number now appears to be decreasing. This is estimated to be less than 3 percent of all the people displaced by development projects worldwide.

Q. What does the Bank do to protect the rights of people displaced by Bank-financed projects?

A. The Bank is very concerned about resettlement and its potential for harming people, so it has taken extensive steps to protect their rights. In 1980 the Bank was the first international agency to institute a policy to protect people displaced by projects it funds. This policy has two simple objectives. First, where possible, the Bank seeks to avoid or minimize the displacement of people in projects it funds. Second, where this is unavoidable, the policy requires that displaced people have their incomes, living standards, and means of production restored to at least the levels they had before they were displaced. To accomplish these objectives, the policy requires that all projects causing resettlement have adequate resettlement plans, budgets, baseline income surveys, and schedules before they can be considered for Bank approval. Compensation of lost assets must be at full replacement value. The participation of the people to be moved, as well as the host populations at the new sites, is sought in planning for resettlement and economic rehabilitation. Resettlers must be treated humanely during their relocation. The merits of the policy have been recognized as demonstrated by the fact that policies modeled on the Bank's have been adopted by other multilateral institutions including the OECD (which is binding on its member's bilateral aid agencies), the European Union, and the Asian Development Bank.

Q. What is the Bank doing to ensure that its policies are followed?

A. In 1993-94, the Bank undertook a major review of the compliance and implementation of its resettlement policy. The review found the policy to be adequate: people are generally much more

th commitments of \$3 billion (14 percent of total commitments—11 % of IBRD and 20% of IDA). Much of the decline can be attributed to five reasons: (1) the need to terminate or reform the types of projects that have not performed well; (2) the Bank's focus on structural adjustment lending and macroeconomic issues slowed the project pipeline and reduced funds channeled directly to agricultural lending; (3) uncertain rates of return because of commodity price fluctuations, have discouraged agricultural investment; (4) problems with the portfolio of agricultural credit and integrated rural development projects have caused the bank to reassess standards and procedures for these important components of agricultural lending; and (5) new types of projects, often smaller-scale operations, that address issues such as privatization, natural resource management, and gender issues have been introduced.

Today's demand is for environmentally safe agricultural investment. That means designing a new generation of projects that depend on more appropriate technologies, strengthening local institutions for managing natural resources, and putting in place appropriate public policies. As these types of projects come on stream, lending aimed at strengthening the link between agriculture and the environment, notably in areas such as watershed management, river basin development, and soil fertility management, should increase.

Moreover, during FY97, the Bank has re-examined its approach to rural development, culminating in a *Rural Development: From Vision to Action* strategy, reviewed by the Board on March 11, 1997. This strategy does not lay out quantitative lending targets, which have to be derived from demand-driven country assistance strategies, but will revitalize the Bank's and, hopefully, the wider international development community's interest in rural development. The main message is simple: widely-shared overarching objectives of poverty reduction, more sustainable natural resources management, and food security **cannot** be attained without a thriving rural economy based on efficient family farms.

Q. Should the Bank shift lending away from industrial agriculture and increase support for smallholder food production?

A. In the early 1970s, lending for agroindustrial and perennial crop projects was about 16 percent of total lending for agriculture. In the 1990s, the share of such projects in agricultural lending has been 4 percent, reflecting a steady shift away from "industrial agriculture." Moreover, the design of perennial crop projects has changed, moving away from plantations managed by parastatal companies toward smallholder production. If smallholders can earn more by producing perennial crops than food crops, there is no reason why they should be denied such opportunities. These crops are also important in agricultural diversification programs, and their processing often involves agroindustrial components that provide off-farm jobs in rural areas.

Q. Why does the Bank support cash crop production in preference to food crops when there are such food shortages in developing countries?

A. The Bank does not favor cash crop production. The Bank's only concern is that it finances the most productive projects whether they be for crops, animal products, and so forth. Bank lending for irrigation (about \$15 billion in the last decade) has increased production of rice in particular. This has been so successful that several countries are no longer cereal importers.

Q. What is the Bank's policy on water management?

A. The growing scarcity and inefficient use of fresh water poses a serious threat to sustainable development and environmental quality in many regions, especially the Middle East and North Africa region, which faces the most severe water shortage. With about 5 percent of the world's population, it has less than 1 percent of all renewable freshwater. This is aggravated by rapid population growth in urban centers, by deteriorating water quality, and by the escalating costs of new water. These growing challenges have prompted the Bank to rethink its water resources lending approach. As described in the water resources management policy paper approved by the Board in May 1993, the Bank's new approach has at its core the adoption of a comprehensive framework for basin-level water management. The approach calls for water to be treated as an economic good with multiple potential uses. It recommends a more decentralized system of service delivery, greater reliance on pricing, and fuller participation of water users in the management of water supply systems. It encourages countries to develop national water strategies with coherent and consistent policies and regulations across sectors, emphasizes participation by stakeholders, and calls for protection and restoration of water quality and water-dependent ecosystems.

Principles for sustainably managing water resources were first articulated by more than 100 countries during the Dublin 1992 International Conference on Water and Environment. The "Dublin Principles" were subsequently endorsed by major international conferences including the 1992 UN Conference on Environment and Development in Rio. The Bank is currently involved in the Global Water Partnership (GWP), launched in August 1995 to help local, national and regional authorities translate the Dublin Principles into practice.

The World Bank is the largest international source of financing for water projects and has lent more than \$36 billion since 1950 for investments in irrigation, water supply and sanitation.

NONGOVERNMENTAL ORGANIZATIONS (NGOS)

Q. How many Bank-supported projects have included NGO participation?

A. Collaboration with NGOs has increased dramatically in recent years. Forty-eight percent of the 256 projects approved in FY96 involved NGOs, up from an average of 6 percent in FY73-88. Since FY73, NGOs have participated in 874 projects.

NGOs may also be contracted directly through the Bank's own administrative budget or through funds earmarked for stakeholder participation, such as the Fund for Innovative Approach to Human and Social Development (FIAHS) and the Japanese Government - funded Policy and Human resources Development (PHRD) grant for participatory activities.

Other sources of funding for NGOs include the Bank's Small Grants Program, Institutional Development Fund (IDF) grants and the Global Environment Facility (GEF) Small Grants Fund - administered by the UN Development Program (UNDP) to NGOs and grass roots organizations for innovative approaches to addressing environmental issues.

Q. What is the Bank doing to promote participatory development?

A. The issue of participatory development has gained increased prominence within the development community in recent years, especially among those agencies most concerned with poverty alleviation. The Bank recognizes that ownership of projects by local communities is one of the keys to sustainable development, and to improved project quality. The need for the Bank to adopt a more participatory approach to its work has been one of the major themes addressed by the NGO-Bank Committee. In FY95, the Bank made significant progress in mainstreaming participation in its work. In September 1994, the presented *The World Bank and Participation* to the Board, a report based on the work undertaken by the Bankwide learning Group on participatory Development over a three-year period. The Board expressed its support for the report's recommendations and its proposed Bankwide Action Plan. The report also contained an addendum signed by a large group of NGOs and outlining further, specific recommendations. Each of the Bank's regional offices has now developed its own Participation Action Plan. *The Participation Sourcebook* was also produced in FY95 by the Environmentally Sustainable Development vice presidency (ESDVP), which documents current Bank practices on participation and shares 'how-to' lessons with task managers across different regions.

To better understand the beneficiary impact of participation on project implementation and outcomes, the Bank has selected 20 *Participation-Flagship* on the basis of their potential contribution as best practice examples across regions and sectors. It is hoped that the process of regular review and reporting to the President will foster innovation and the sharing of learning about participation Bank-wide.

Q. What is being done in the resident missions to increase level of involvement of NGOs in Bank activities?

A. An important development in FY96 was the appointment of NGO or Information Specialists in a large number of World Bank resident missions. 32 of the Bank's 71 RMs now have such specialists with responsibility for NGO liaison and partnership.

While the specific terms of reference of these new staff members varies from country to country, key functions include: serving as a point of contact for NGOs and other civil society organizations; gathering and maintaining information about the NGO sector; disseminating information on Bank activities; facilitating policy dialogue between NGOs, the Bank and government; promoting and supporting NGO involvement in the Bank's research, analysis and

ymposium on S&T for Development, running up to the First Conference on Global Knowledge Partnership in Toronto Canada June 22-25, 1997.

In the area of identifying new forms of operational partnerships, the Bank is exploring potential collaboration with foundations in their existing work supporting southern FLOs. It is hoped that establishing such linkages will contribute to the Bank's efforts to strengthen civil society institutions and better implement assistance strategies in borrowing countries. Such collaboration is already getting underway through the Synergos Institute in Mozambique and the Mott Foundation in Bulgaria. A pilot program of collaboration with foundations and FLOs has been initiated by Synergos, to seek out specific areas for collaboration between the Bank, foundations and FLOs in 20 countries. Partnership opportunities are also being identified across countries and in regional programs. Linking EDI's programs in Eastern Europe with the work of the Soros Foundation, and efforts to preserve cultural heritage with the work by Getty and Aga Khan Foundations are examples of such potential collaboration.

Other areas of collaboration underway include: establishing of an occasional forum on business processes with foundations, and support for the initiative already underway between EXT and the Rockefeller Brothers Fund to discuss building constituencies for global interdependence.

STRUCTURAL ADJUSTMENT PARTICIPATORY REVIEW INITIATIVE (SAPRI)

Q. What is the Structural Adjustment Participatory Review Initiative (SAPRI)?

A. The World Bank and a broad global network of some 300 NGOs and other civil society organizations have agreed to work together, in collaboration with participating governments, to review the impact of adjustment lending and policy advice in up to ten countries. This initiative, known as SAPRI, has been developed in a highly participatory way through consultations between a World Bank team, headed by the Policy-Research Department, and an NGO/civil society network committee, coordinated by The Development Group for Alternative Policies, a Washington-based NGO. SAPRI aims to improve understanding about the impacts of adjustment policies as well as about how the participation of local, broad-based civil society can improve economic policymaking. As a forward-looking exercise, the initiative will attempt to identify practical changes in economic policies that can lead to significant improvement in people's lives.

Q. What methodology will SAPRI use?

A. SAPRI will follow a country-case-study approach. The country case studies will look at the effects of policies on all societal groups—both winners and losers—but with particular emphasis given to impacts on those who have not benefited and those who have not participated in the policymaking process. The case studies will have analytical rigor, drawing on both quantitative, aggregate methods as well as qualitative, participatory methods of investigation. A series of public fora will be held at both the international and country levels to guarantee that a broad range of civil society groups participate in SAPRI. A national steering committee – comprising civil

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D. EXTERNAL PARTNER

☐	IMF
☐	UN
☐	MDB/Other IO
☐	NGO
☐	Private Sector

☐	Part I
☐	Part II
☐	Other

E. COMMENTS:

File Location ☒ EXC ☐ ISC ☒ Archives	Cleared By Caroline Anstey	Date: 06/27/97
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