

Chapter 2 Highlights

INTRODUCTION

Overview of environmental and social safeguard policies and focus on safeguard compliance and development effectiveness. Establishment of QACU and other management commitments to strengthen safeguard applications are discussed.

INFORMATION SOURCES FOR PROJECT SAFEGUARDS

A multitude of documents, reports, and project cycle products provide safeguard information, and an overview is provided for each with essential safeguard items highlighted.

BANK DATABASES CONTAINING SAFEGUARD INFORMATION

- InfoShop
- ImageBank 3
- World Development Sources
- Project Search Database
- ESSD Core Database
- IRIS
- Business Warehouse/SAP
- Project Search Database

This section provides useful insight to navigate through the multitude of Bank databases and associated project level storage bins, with web links provided to ease the way for interested users.

PORTFOLIO PROFILE

Over the past five years, the portfolio size has remained fairly stable, despite the large volatility in annual lending levels. The regional composition, however, has shifted; the AFR and SAR portfolios have shrunk while ECA's share has grown. The Bank's active portfolio at the end of FY00 consisted of 1,578 operations representing net commitments of \$117.5 billion, which included \$15.3 billion of new IBRD/IDA lending. There are 21 countries with 20 or more projects under supervision, with the two largest number of projects per country being China and India, with 113 and 76 projects respectively, and these same two countries dominate the lending portfolio in terms of commitments. Review of the portfolio over the five-year period 1996 through 2000 shows that there are 600–770 active A and B projects—more or less half of all active projects—in the Bank portfolio. Usually, there are 100–150 active A and about 500–600 B projects per fiscal year. Review of the portfolio activity indicates that there are approximately 120 new A and B projects entering the active portfolio every FY, of which 10 percent are A projects.

Overview of Safeguard Policies and Portfolio Profile

2.1 Introduction

Beginning in 1999, Bank management applied the term “safeguard” to describe the collection of Operational Policies whose primary objective is to ensure that Bank-funded operations are designed to protect those who might be adversely affected by them and that projects do not cause unacceptable harm to the environment.

These 10 safeguards are summarized in Box 2.1. Consequently, the Bank now addresses its “environmental assessment” (EA) performance in a broader context that encompasses all issues related to “environmental and social safeguard policies.” Central to this policy shift was the conversion of OD 4.01 to OP 4.01 in March 1999 (Table 2.1).

During the past 10 years the Bank has modified, amended, and/or expanded several of these policies to ensure that its projects incorporate specific safeguard provisions. Bank management and the numerous operational arms of the Bank have undertaken several actions over the last five years to improve the performance of Bank projects with regard to these safeguards. There has also been a concomitant *increase in the development impact of safeguards*, as countries incorporate these concerns into their own policy frameworks. To this end the Bank is: (a) assisting clients in national capacity building; (b) working with other development partners to achieve more harmonious policies; and (c) helping in the process of aligning national policies with global concerns. These multiple expectations—while offering the opportunity to increase the development impact of safeguards—pose a unique challenge for the Bank.

Against the background of these concerns, Bank management has progressively strengthened the process of safeguard compliance, and is attempting to improve the development effectiveness of safeguard policies. The challenge is to maintain a close integration of safeguard compliance with country policy agendas, while addressing the issue of consistent application of policies throughout the Bank. Management, therefore, has strengthened reporting lines and accountability from Regional safeguard staff to the center.

Box 2.1 World Bank Environmental and Social Safeguard Policies

- **Environmental Assessment (OP/BP 4.01).** Outlines Bank policy and procedures for the environmental assessment of Bank lending operations. Environmental consequences should be recognized early in the project cycle and taken into account in project selection, siting, planning, and design by preventing, minimizing, mitigating, or compensating for adverse environmental impacts and enhancing positive impacts.
- **Natural Habitats (OP/BP 4.04).** States that the Bank does not support projects involving the significant conversion of natural habitats, unless there are no other feasible alternatives for the project and its siting, and unless comprehensive analysis demonstrates that overall benefits from the project substantially outweigh the environmental costs. If the EA indicates that a project significantly converts or degrades natural habitats, the project must include mitigation measures acceptable to the Bank.
- **Pest Management (OP 4.09).** The policy supports safe, effective, and environmentally sound pest management. It promotes the use of biological and environmental control methods. An assessment is made of the capacity of the country's regulatory framework and institutions to promote and support safe, effective, and environmentally sound pest management.
- **Involuntary Resettlement (OD 4.30).** Involuntary resettlement as used in this policy covers both (a) the involuntary displacement (physical and nonphysical) of affected peoples that arises from change in land or water use, loss of productive assets, or loss of income or means of livelihood, whether or not the people move to another location; and (b) the measures for mitigating the impacts of displacement. This policy has been revised in FY 99/00 with the direct participation of technical Bank staff representing various networks. It also benefited from a four-month external consultation process, in which the drafting team received and reviewed nearly 300 comments from NGO representatives, resettlement researchers, and government officials from around the world. This draft was recently approved by the Operational Policy Committee (OPC) to go to the Committee on Development Effectiveness (CODE) and subsequently to the Board in FY 01. The Resettlement Sourcebook, which will synthesize best practices in resettlement and provide guidance to staff in application of the policy, will also be available by the end of the calendar year.
- **Indigenous Peoples (OD 4.20).** This directive provides guidance to ensure that indigenous peoples benefit from development projects, and to avoid or mitigate adverse effects of Bank-financed development projects on indigenous peoples. Measures to address issues pertaining to indigenous peoples must be based on the informed participation of the indigenous people themselves. In FY 99/00 Bank staff discussed an approach paper for revisions to this policy both internally and externally. A first draft of the revised policy was prepared in FY00 and discussed internally. This document was subsequently revised by technical staff working in collaboration with the Legal Department, and the second draft was discussed with the Regions in late CY00 and submitted to CODE with submission to the Board by the end of FY 2001. In parallel with the process, implementation guidelines (GP 4.20) for the new policy are being prepared.
- **Forestry (OP/GP 4.36).** This policy statement provides guidance to Bank staff involved in forestry projects, detailing that the Bank will not finance commercial logging operations or acquisition of equipment for use in primary moist tropical forests. In forests of high ecological value, the Bank will finance

Bank management has directed operational staff to integrate safeguards into overall compliance requirements as part of the renewal process and in the broader context of corporate risk management over the last several years. The responsibility for

overall Bank policy compliance rests with the six Regional vice presidencies, which is consistent with the effort to devolve decisionmaking and resources closer to the operational front line. Decentralization, both in the Regions and at the level

only preservation and light, nonextractive use of forest resources. The objectives are to provide for a sustainable stream of direct or indirect benefits to alleviate poverty, and to enhance community income and environmental protection.

- **Cultural Property (OPN 11.03).** Originally issued as an Operational Policy Note 11.03, it has undergone extensive revision. The Bank policy is to assist in cultural property preservation and take actions to avoid their elimination. Specifically, the Bank normally declines to finance projects that will significantly damage non-replicable cultural property, and will assist only those projects that are sited or designed so as to prevent such damage. The Bank will assist in the protection and enhancement of cultural properties encountered in Bank-financed projects, rather than leaving that protection to chance. The conversion of the policy on cultural property builds on the lessons of experience with the resettlement and indigenous peoples policies. An oversight group made up of experts in the cultural resources management field has provided guidance to the drafting team, and the revision of the policy has benefited from both an internal review of current operational trends and a survey of international best practice. The final draft will be available for OPC and CODE consideration in 2002. Implementation guidelines (GP 4.11) being developed separately will be finalized following approval of the policy.
- **Safety of Dams (OP/BP 4.37).** When the Bank finances a project that includes the construction of a new dam, it requires design and construction supervision by experienced and competent professionals. The borrower is also required to implement certain dam safety measures for the design, bid tendering, construction, operation, and maintenance of the dam and associated works. For small dams, generic dam safety measures designed by qualified engineers are considered adequate. For large dams—dams that are 15 meters or more in height, or are between 10 and 15 meters and present special design complexities—the Bank requires special reviews by an independent panel of experts. Review requirements include design, construction, plans for construction supervision and quality assurance, instrumentation, operations and maintenance, and emergency preparedness. The Bank requires prequalification of bidders during procurement and bid tendering and periodic safety inspections of the dam after completion.
- **International Waterways (OP/BP/GP 7.50).** The Bank recognizes that the cooperation and goodwill of riparians is essential for the efficient utilization and protection of international waterways and attaches great importance to riparians making appropriate agreements or arrangements for the entire waterway or any part thereof. Projects requiring clearance include hydroelectric, irrigation, flood control, navigation, drainage, water and sewerage, industrial, and similar projects that involve the use or potential pollution of international waterways.
- **Disputed Areas (OP/BP/GP 7.60).** Projects in disputed areas may occur between the Bank and its member countries as well as between the borrower and one or more neighboring countries. Any dispute over an area in which a proposed project is located requires formal procedures at the earliest possible stage. The Bank attempts to acquire assurances that it may proceed with a project in a disputed area if the governments concerned agree that, pending the settlement of the dispute, the project proposed can go forward without prejudice to the claims of the country having a dispute.

of project responsibility, has helped improve the Bank's application of safeguards at the operational level. At the same time, this has elicited some new challenges in ensuring consistency and quality of safeguard application. Starting in FY99, a deci-

sion was made to increase corporate oversight through establishment of a stronger Quality Assurance and Compliance Unit (QACU). This unit functions within the Environmentally and Socially Sustainable Development (ESSD) Network, as part

Table 2.1 Differences between OD 4.01, *Environmental Assessment*, dated October 1991, and OP 4.01, *Environmental Assessment*, dated January 1999

Elements	OD 4.01	New OP/BP/GP 4.01 (effective 3/1/99)
Terminology	<ul style="list-style-type: none"> Environmental assessment means EA process or report generated for Category A projects. Environmental analysis is for Category B projects. 	<ul style="list-style-type: none"> EA is the process that is specific to each operation, both category A and category B projects. Any report resulting from the process is an EA report.
Scope	<ul style="list-style-type: none"> Project components cofinanced by other donors are not subject to EA. Definition of area of influence is referred to in a footnote to OD 4.00, Annex B—<i>Environmental Policy for Dam and Reservoir Projects</i>. 	<ul style="list-style-type: none"> Regardless of whether the components are financed by IBRD/IDA, the project that is described in Schedule 2 of the pertinent loan/credit agreement is subject to EA. Definition of area of influence is explicit in OP, Annex A, para. 5.
Screening Categories	<ul style="list-style-type: none"> Provides three categories, A, B, and C. For FILs/SILs, the Bank reviews EA of sub-projects known prior to project approval; also appraises implementing agency's capability to review EA. 	<ul style="list-style-type: none"> Adds a fourth category, FI, for financial intermediary projects. The implementing institution or financial intermediary is responsible for carrying out appropriate EA for all subprojects, and the Bank appraises the arrangements and capabilities of doing so.
Analysis of Alternatives	Included in Annex B as part of the outline of project-specific EA report.	Included in para. 2 of the OP as "EA evaluates a project's potential environmental risks and impacts in its area of influence, <i>examines project alternatives</i> ."
New Instruments	Not included.	APLs and LILs are included as footnote.
Sector Adjustment Loan (SECAL)	Not included.	SECALs are subject to environmental assessments.
Structural Adjustment Loan (SAL)	Not included.	Excluded from EA.
Sectoral and regional EA	<ul style="list-style-type: none"> No definition provided. Discusses cases when regional or sectoral EA may be "efficient or useful." 	Definitions of sectoral and regional EA are provided in Annex A. Sectoral and/or regional EA is required when the project "is likely to have cumulative or regional impacts."
Emergency Recovery Projects	Do not normally require a full EA.	Apply to projects processed under OP 8.50, <i>Emergency Recovery Assistance</i> . However, exception could be made.
Environment Mitigation or Environment Management Plan	Included as an Annex C.	Specifically required in the OP and also included as Annex C. OP strengthens and clarifies the role of the EMP by specifically listing EMP as a component of the category A project EA report, and specifically citing EMP provisions related to the implementation of the EA.
Use of <i>Pollution Prevention and Abatement Handbook</i>	Not included.	Available as guidance. The EA may recommend alternative emission levels and approaches to pollution prevention and abatement of the project. Exceptions should be rare.
Compliance with International Treaties	Not explicitly specified.	<i>Specified</i> . The Bank does not finance project activities that contravene country obligations under relevant international environmental treaties and agreements.

Elements	OD 4.01	New OP/BP/GP 4.01 (effective 3/1/99)
Public Consultation	<ul style="list-style-type: none"> The Bank expects the borrower to take into account the views of affected groups and local NGOs. For category A projects, consultation occurs twice: <ul style="list-style-type: none"> shortly after EA category is assigned once EA report has been prepared 	<ul style="list-style-type: none"> <i>For all category A and B projects</i> the borrower <i>consults</i> project-affected groups and local NGOs. For category A projects, consultation occurs twice: <ul style="list-style-type: none"> shortly after screening and before EA TORs are finalized (scoping) once a draft EA report is prepared
Independent EA Experts and Panels	<ul style="list-style-type: none"> For projects with potentially adverse environmental impacts (dams, resettlement), borrower should retain independent EA experts. For high-risk A projects, the borrower should retain an advisory panel of independent internationally recognized environmental specialists. Link between the two requirements was unclear. 	<ul style="list-style-type: none"> For <i>all</i> category A projects, the borrower retains independent EA experts. For highly risky and contentious projects, the borrower should <i>also</i> engage an independent advisory panel.
Disclosure and Distribution of Information	<p><i>Mandatory for A projects only.</i> Information should be provided by the borrower in a form that is meaningful for, and accessible to, the groups being consulted:</p> <ul style="list-style-type: none"> Disclosure of information as provided in two stages: at project scoping, and once the EA report (for category A projects) has been prepared. Borrower makes the EA report available at some public place accessible to official groups. Bank should obtain permission in principle for the release of the EA report to the EDs. 	<p><i>Mandatory for A and B projects.</i> The borrower provides relevant materials in a form and <i>language</i> that are understandable:</p> <ol style="list-style-type: none"> For Category A projects <i>prior to appraisal</i>: <ul style="list-style-type: none"> Same as OD. EA available at the Bank's Infoshop. For category B projects financed by IDA <i>prior to appraisal</i>: <ul style="list-style-type: none"> Same as A. For category B projects financed by IBRD for which a separate EA report is required (no time period given for the submission of EA report): <ul style="list-style-type: none"> EA report available in a suitable public location in the borrowing country. Available at the Bank Infoshop when received. Guarantee operations: <ul style="list-style-type: none"> A or B report must be submitted before <i>end</i> of appraisal. For IBRD guarantee: A report at InfoShop 60 days before Board, B report 30 days. For IDA guarantee: same as loans. <p>Borrower's permission to release the EA report is still required.</p>
Environmental Audits	Not referred to.	Included as another type of EA reports.
Field Visit by Environmental Specialists	Necessary for category A projects.	<ul style="list-style-type: none"> Necessary for category A projects. Desirable for category B projects (footnotes in the BP).

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Box 2.2 Changes to Enhance Safeguard Compliance

Management commitments to improve Bank compliance with its safeguard policies include several specific initiatives. At the end of FY99 several changes were introduced within the Bank to enhance compliance with safeguards. The changes included:

- A process to fully align safeguard approaches across the Regions
- Holding Regional vice presidents accountable for transparent, biannual safeguard risk assessments, including senior ESSD Network participation, to identify a list of high-risk tasks to be monitored at the corporate level
- Assigning to QACU accountability for “corporate sign-off” on high-risk operations identified through this process
- Assigning Regional accountability for safeguard performance to Directors, who are members of the ESSD Council
- Mandating off-the-top regional funding (as opposed to country or project funding) for Regional Safeguard Coordinators
- Providing dedicated, nonfungible resources to the regions, the ESSD anchors, and the Legal Department to strengthen their review, advisory, and monitoring activities
- Providing one-stop corporate interpretations of Bank policies, via ESSD safeguard specialists in coordination with Regional Safeguard Coordinators
- Introducing Bank-wide systems to track operations with safeguard requirements and monitor spending on safeguard compliance.

of the Environment Department (Box 2.2). Among the QACU’s functions are increasing the flow of information between the Environment Department and the Regions, through the formal establishment of a Safeguard Steering Committee, and linking safeguard work in operations by physically locating Regional safeguard teams and Regional units together.

Compliance with the Bank’s environmental and social policies has been the responsibility of the Regions for several years. However, the introduction of matrix management¹ in FY98 shifted some of this responsibility among Regional units, Sector Boards, and Network Anchors. In FY00 management decided to shift from a mainly decentralized approach to compliance toward an integrated, corporate system. The new system is designed to achieve compliance with safeguard policies without significantly reducing the benefits of decentralized decisionmaking and task team empowerment, which has helped improve the quality of Bank prod-

ucts and client responsiveness in recent years. It relies on a strong central team closely integrated with the regional units and Safeguard Coordinators, operating with central technical oversight and dual reporting arrangements to ESSD and the Regions. A strengthened Quality Assurance and Compliance Unit in the ESSD Anchor oversees the interpretation and implementation of safeguard policies.

Application of the 10 key safeguard policies has seen steady improvement over the last several years throughout the Regions, with very few exceptions. Although there are no universal assessments for all safeguards, compliance with safeguard policies has been measured, in part, through the Bank’s internal quality assurance process (undertaken now on an annual basis by the Quality Assurance Group) for both quality at entry and supervision (Rapid Supervision Assessment) (see chapter 3).

Compliance with safeguard policies has become an integral element of the Bank’s internal quality assurance process in all aspects of the project cycle

during the last several years. Project preparation and implementation require specification of provisions to ensure that safeguards are properly addressed. Since 1998 an annual corporate oversight process, the QAG review, has been reviewing quality at entry and supervision, and has increasingly scrutinized safeguard performance, as measured by environmental and social criteria. These reviews indicate that while performance on safeguards is improving, the Bank's goal of full compliance with all safeguard policies has not been achieved.²

A second major influence in Bank safeguard oversight has been the role of the Inspection Panel. Starting in 1994, the Inspection Panel has served to provide independent review of Bank operations. The Panel may receive complaints for violations or construed violations of policy statements or Bank procedures. Recent Inspection Panel documents summarize the history of events for six projects³ that provoked allegations of Bank violations of environmental and social safeguard policies and procedures. Each project case study contains sufficient information, on a case-by-case basis, to permit an understanding of how compliance is interpreted by the Panel. During the latter stages of FY00 the Panel also released its Investigation Report on the Qinghai Project, a component of the China Western Poverty Reduction Project that has caused considerable scrutiny from Bank management and operations (see chapter 3).⁴

2.2 Information Sources for Project Safeguards

Numerous documents contain information related to project safeguards. Chapter 4 lists several documents that must be made available to the public through disclosure requirements, including:

- *Project Concept Document*
- *Environmental Data Sheet*
- *Project Information Document*
- *Environmental Assessment*
- *Resettlement Action Plan*
- *Indigenous Peoples Development Plan (IPDP)*

Other sources of information that need to be reviewed to identify safeguard information and related issues include several standard Bank project

documents that are issued during different stages of the project cycle. These sources of information are generally available to Bank staff, and sometimes to external researchers, and are stored in one or several regional and central Bank databases (discussed later in this chapter).

Project Appraisal Document (PAD). In July 1997 the Bank's Executive Directors approved the use of this new project document (mandatory after August 1997) for investment operations, to replace the Staff Appraisal Report. The main body of the document contains a collection of general country- and sector-specific information related to loan activities. It also contains a general background presentation on the Country Assistance Strategy, main sector issues, and government strategies and sector issues to be addressed by the project. The project description summary describes the project components, development objective, benefits, and target population, as well as institutional and implementation arrangements. It has sections on environmental and social assessment and the participatory approach. Another section assesses the quality of a project and identifies its critical risks. A list of the main institutional conditions and compliance issues, including safeguards, is also included. Annexes may or may not contain details on EA, environmental management plans, Resettlement, IPDPs, Integrated Pest Management, and other safeguard measures. The PAD contains sufficient technical information to be included in the Memorandum and Recommendation of the President (MOP) and Legal Agreement, and serves as a guide for project implementation. It also identifies critical performance indicators that serve the Bank and Borrower in monitoring project performance.

Logical Framework (LogFrame). The LogFrame is required in all PADs (presented as annex 1 in the PAD). It identifies the project objectives and all components, with outputs, and contains a concise list of all project-related activities and associated performance indicators. For some projects the safeguard monitoring indicator will be listed, but this is rare.

Staff Appraisal Report. Prior to August 1997, the Staff Appraisal Report was the technical report in

which Bank staff identified project components, assessed project quality, and identified critical risks. It contained sufficient technical background for inclusion into the MOP, and served as a guide for project implementation. It also identified critical performance indicators that serve the Bank and borrower in monitoring project performance. For projects assigned to Category A, an annex to the Staff Appraisal Report summarized the EA. The last annex contained a list of selected documents and data available in the project file.

Memorandum and Recommendation of the President. The MOP is the basis on which the Bank's Executive Directors make decisions on the proposed project. It incorporates confidential or sensitive material that is removed from the PAD following negotiations, if such material is of interest to the Board in its decisionmaking. It summarizes the technical sections of the PAD and lists specific loan conditions and covenants, often safeguard-related.

Report and Recommendation of the President. This report is specifically used for Adjustment Loans, instead of the PAD. It contains general information on the economic condition of the country and particular sectors that the loan or credit will address. There is usually some discussion of government strategies for the sector to be addressed and a section on policy reform actions. The rationale of the project is presented with an overview of the proposed loan or credit. Some of these reports contain language addressing environmental and social issues, especially Sector Adjustment Loans. A "Letter of Development Policy" is attached as an annex, along with a policy matrix that lists areas of intervention, objectives, measures and sections, and a timeframe. Safeguard-related issues can be identified in this matrix.

Environmental Assessment. The specific EA instrument depends on the type of project, as stated previously. It may be an environmental impact assessment (EIA), regional or sectoral EA, environmental audit, hazard or risk assessment, or environmental management plan. These reports are always separate technical volumes that are part of the project files sent to the Infoshop. All EAs are

listed separately for each project in the ImageBank, and can be retrieved through a project ID search. For Category A projects the EA is usually summarized as an Annex in the PAD. For Category B projects the EA may be a separate report, described in the PAD annex or briefly mentioned in the main body of the PAD under the section on environmental assessment.

Loan, Credit, or Project Agreement. For all loans a Loan Agreement records the amount of the loan and the terms and conditions on which it is made. It obligates the borrower to carry out the project with due diligence and efficiency and in conformity with specified standards, and it records the borrowers' general commitment to the project objectives. The Loan Agreement contains a clear and succinct description of (a) the purpose (the specific policy, institutional, social, environmental, financial, or physical objectives) of the project; (b) the development results that the project is expected to produce; and (c) the activities or components by which the expected development results are to be achieved (whether such activities/components are to be financed by the Bank, other donors, the borrower, or an executing agency). Most Bank Loan Agreements rely on standard covenants whenever possible but also have covenants that are tailored to the specific responsibilities of the parties and cover safeguard matters.

Back to Office Report. (BTO). After each project mission, Bank staff and consultants file a technical report with the task team (TT) leader. These reports summarize the activities conducted during the mission and address any critical issues. In consideration of safeguard policies, the reports from environmental and social specialists are generally an excellent source of safeguard information. When further information, borrower follow-up, or additional research are required, the BTO generally specifies what needs to be done, who will do it, and a timeframe.

Aide Memoire. The task team leader synthesizes all technical input from TT members and issues the Aide Memoir with review and concurrence from the counterpart authorities. Specific actions needing additional attention are identified, including

safeguard items, and schedules for addressing these requirements indicated

Project Supervision Report (PSR). The PSR is a two- to three-page summary of key project information assessments by the supervision task team of various aspects of project performance and risks and the issues affecting project implementation and the corresponding remedial actions. It is an internal reporting tool that draws on the Aide Memoire used by supervision TTs for external dialogue with the borrower. Project performance assessments in individual PSRs provide the basis for assessing the performance of the Bank's portfolio of projects under implementation. A table lists the 10 safeguards, permitting identification of compliance status. Environmental and resettlement components of projects, irrespective of their environmental category, are rated according to the following scale: highly satisfactory, satisfactory, or unsatisfactory. These ratings afford the opportunity to describe the degree to which safeguard matters are being implemented and to identify associated problems. There is also a summary of issues and actions that can track over time the status of addressing project safeguard implementation issues.

Implementation Completion Report (ICR). The ICR is the official project document used to summarize the project implementation history at the end of disbursement. A standard set of information includes discussion of how the project achieved its program objectives, major factors affecting the project, program sustainability, and comments on Bank and borrower performance. Social and environmental objectives are evaluated as substantial, partial, or negligible. A summary table lists all legal covenants. Three covenant categories apply to safeguards: environmental, involuntary resettlement, and indigenous peoples; the final status is listed as complied, complied after delay, partially complied, or not complied.

Operations Evaluation Department (OED) Evaluation Summary. OED reviews each ICR and completes this report. The OED summary provides an independent overview on several rating criteria, and a section on "significant shortcomings" that includes pointers to non-compliance with safeguard policies, if warranted.

2.3 Bank Databases Containing Safeguard Information

The multitude of Bank project information is now stored, archived, and sometimes interactively accessed through different databases. Each database has its own particular purpose, and it is not uncommon for different databases to contain different types of information for the same project. Additional challenges for retrieving project information is that there has been little integration between regionally based databases and central Bank databases. The reason for this apparent shortcoming to the occasional user is that the history of each database is associated with specific needs, such as financial or supervision record-keeping. Particularly frustrating is that there is not a single unifying code for a project. For example, one database uses the project ID as its record identifier while another may use only the project loan number, resulting in an inability to use different databases with one search strategy. In the past, search queries were not user-friendly, and it required the skills of long-time, specific database users to assist researchers in navigating or extracting information from the databases.

Annex 2.1 provides an overview of the most important databases containing safeguard-related information. There are also different access rules for these databases; some are only available for internal Bank staff, while others are available to external users.

2.4 Portfolio Size and Composition

Over the past five years, the portfolio size has remained fairly stable, despite the large volatility in annual lending levels. (See Box 2.3.) The regional composition, however, has shifted; the Africa Region (AFR) and South Asia Region (SAR) portfolios have shrunk while Europe and Central Asia (ECA) Region's share has grown. The sectoral composition also reflects new Bank priorities such as basic health, social protection and public sector reform.

2.4.1 Portfolio Size

With the upgrading of the Bank's information systems in FY00, Trust Fund (TF) Programs were integrated into the overall portfolio alongside the

Box 2.3 Portfolio Size and Composition—Key Conclusions

Over the past five years, portfolio size has remained fairly stable despite the large volatility in annual lending levels. Noteworthy developments include:

- The sectoral composition is changing to reflect Bank priorities in basic health, social protection, and public sector reform. In contrast, rural development lending has continued to decline, raising questions about the efficacy of the Bank's rural poverty strategy. Also of note is the stagnation in the education sector portfolio.
- There has been a substantial shift in regional composition; the AFR and SAR portfolios have shrunk while ECA's share has grown.
- Two new lending instruments, APLs and LILs, are growing in importance.
- Conceptual difficulties as well as data limitations are constraining analysis of the likely poverty impact of the current portfolio or its alignment with the International Development Goals.

regular IBRD/IDA portfolio.⁵ Including the TF Programs, the Bank's active portfolio at the end of FY00 consisted of 1,578 operations representing net commitments of \$117.5 billion (table 2.2).⁶

The size of the IBRD/IDA portfolio has remained fairly stable for the past five years, with net commitments declining marginally, mostly for the IBRD portfolio. FY00 lending (\$15.3 billion) was sharply lower than the record levels of the prior two years (average of \$28.8 billion), and also well below the FY92–97 average (\$21.5 billion). Having peaked in the wake of the 1997–98 global financial crisis, demand for IBRD funds subsided in FY00 as financial markets recovered and emerging market economies regained access to private capital flows. IBRD lending to crisis borrowers—

Argentina, Brazil, Indonesia, South Korea, Russia, and Thailand—which accounted for \$13 billion in FY99, was down to just \$1.8 billion in FY00. To a lesser extent, IDA lending also declined in FY00, reflecting the confluence of country-specific factors (as was the case, for example, in Pakistan, Ethiopia, Côte d'Ivoire, and Zimbabwe). Lending performance over the past few years suggests a leveling of overall demand, as well as greater volatility in demand due to increased reliance by IBRD borrowers on private capital markets. The shift away from large infrastructure projects toward smaller operations supporting institution building, innovation, and human development contributes to the decline in the Bank's lending levels through reduction in the average project size.

Table 2.2 Bank Portfolio, FY95–FY00

Funding Source	Number of Projects			Net Commitments (\$B)		
	FY95	FY99	FY00	FY95	FY99	FY00
IBRD	780	777	764	87.9	83.6	80.3
IDA	716	731	729	37.1	37.5	36.1
Subtotal	1,496	1,508	1,493	125.0	121.1	116.4
TF	N/A	N/A	85	N/A	N/A	1.1
TOTAL: Nominal	1,496	1,508	1,578	125.0	121.1	117.5
Real ^a				126.5	125.1	117.5

a. Based on the following deflators for commitments: FY95, 101.1; FY99, 103.3; FY00, 100.0.

2.4.2 Instruments

The active portfolio continues to be dominated by traditional investment projects, accounting for just over 70 percent of the total both in terms of number of projects and net commitments. Adjustment lending, although only 4 percent of operations, accounts for 13 percent of commitments. The apparent dominance of investment lending is, however, somewhat misleading, since the portfolio is a snapshot of loans active at the end of the fiscal year, with many fast-disbursing loans, particularly single tranche adjustment loans, under-

represented in the portfolio—meaning that they can be disbursed in a short period of time and closed off the “books” and not recorded as active loans at the end of the fiscal year.⁷ Financial intermediary loans have declined substantially over the same time period. Two new lending instruments introduced in FY98 have grown in importance. In FY00 the adaptable program loans—multi-stage, adaptable investments—were 12 percent of new approvals by number and 8 percent by net commitment. The new learning and innovation loans were comparable in terms of number but less than 1 percent in terms of net commitments (see Table 2.3).

Table 2.3 Portfolio Distribution by Instrument

	IBRD			IDA			Total			
	FY95	FY99	FY00	FY95	FY99	FY00	FY95	FY99	FY00	FY00 ^a
Projects										
<i>Adjustment</i>										
Expanded Cofinancing Operation										1
Rehabilitation Loan	6			5			11			
Sector Adjustment Loan	12	14	15	29	11	9	41	25	24	24
Structural Adjustment Loan	10	14	12	17	22	20	27	36	32	32
Total adjustment	28	28	27	51	33	29	79	61	56	57
<i>Investment</i>										
Adaptable Program Loan		19	34		20	34		39	68	68
Emergency Recovery Loan	10	14	15	11	15	13	22	29	28	31
Financial Intermediary Loan	47	18	15	13	9	8	60	27	23	24
Learning & Innovation Loan		16	26		26	43		42	69	70
Specific Investment Loan	555	574	544	473	514	495	1,030	1,089	1,039	1,117
Sector Investment & Maintenance Loan	88	44	42	92	46	39	180	90	81	81
Technical Assistance Loan	49	63	61	76	68	68	125	131	129	130
Total investment	749	748	737	665	698	700	1,417	1,447	1,437	1,521
Overall result	777	776	764	716	731	729	1,496	1,508	1,493	1,578
Commitments (US\$ M)										
<i>Adjustment</i>										
Expanded Cofinancing Operation										0
Rehabilitation Loan	1.6			0.3			1.9			
Sector Adjustment Loan	3.0	4.5	5.6	2.1	0.9	0.8	5.1	5.4	6.4	6.4
Structural Adjustment Loan	2.2	6.9	7.7	1.7	1.8	1.5	4.0	8.7	9.2	9.2
Total adjustment	6.9	11.4	13.4	4.1	2.7	2.3	10.9	14.1	15.7	15.7
<i>Investment</i>										
Adaptable Program Loan		1.2	1.8		0.5	1.1		1.7	2.9	2.9
Emergency Recovery Loan	1.6	1.7	2.3	0.7	0.5	0.3	2.3	2.1	2.7	2.7
Financial Intermediary Loan	6.1	1.8	1.5	0.6	0.4	0.4	6.7	2.2	1.9	1.9
Learning & Innovation Loan		0.1	0.1		0.1	0.2		0.2	3.0	3.0
Specific Investment Loan	61.3	60.4	54.5	25.7	29.1	28.3	87.0	89.5	82.7	83.8
Sector Investment & Maintenance Loan	10.9	5.7	5.3	4.7	2.7	2.2	15.6	8.4	7.5	7.5
Technical Assistance Loan	1.2	1.5	1.4	1.2	1.4	1.4	2.4	2.8	2.8	2.8
Total investment	81.1	72.2	66.9	33.0	34.7	33.8	114.1	107.0	100.7	101.9
Overall result	87.9	83.6	80.3	37.1	37.5	36.1	125.1	121.1	116.4	117.5

a. Including GEF, Montreal Protocol, and Special Financing.

2.4.3 Regions and Countries

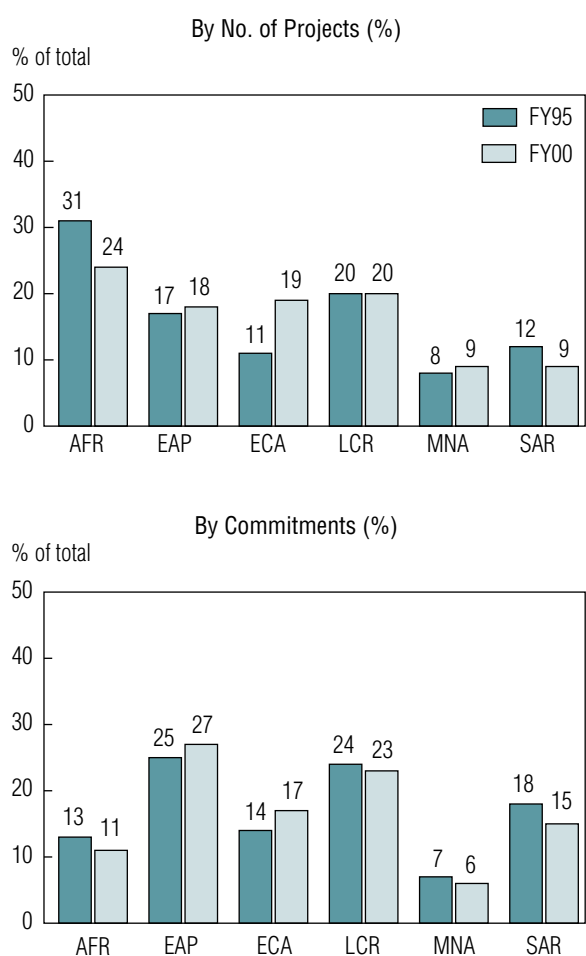
The relative stability in the portfolio's overall size masks significant shifts in its regional composition. Although AFR still has the largest number of projects among the six Regions, its portfolio shrunk from 462 to 363 projects over the past five years, a reduction of 21 percent. There was a similar decline in net commitments (see Figure 2.1). The relative decline of the SAR portfolio was even larger, at 25 percent, over the same period. The shrinkage in the AFR and SAR portfolios partly reflects the decline in new entries into the portfolio reductions for poorly performing countries (e.g., Pakistan, Nepal, Nigeria, Kenya, Burundi). Other factors include disruptions in Bank lending due to

prolonged conflict in many parts of Africa, as well as sanctions on India and Pakistan following the 1998 nuclear tests. In the case of AFR, there has also been a conscious shift in business practices to concentrate on demand- rather than supply-driven projects and on non-lending services.

ECA experienced a rapid growth in its portfolio over the past five years (72 percent by number of projects and 18 percent by amount of commitments) as a result of the buildup in several new borrowers (Russia, Ukraine, Armenia, Georgia, Bosnia-Herzegovina). This more than offset declining portfolios for maturing borrowers such as Poland and Hungary. Most of the increase occurred between FY95 and FY99 and the ECA portfolio is now beginning to stabilize. The remaining Regions have experienced relatively modest shifts in their portfolio shares over the past five years, although there has been greater change at the level of individual countries (for example, increases in Argentina, China, and Vietnam, and decreases in Algeria, Brazil, Indonesia, Mexico, Morocco, and Venezuela).

Although the FY00 portfolio includes operations in 134 countries, there is heavy concentration, with the seven largest borrowers (Argentina, Brazil, China, India, Indonesia, Mexico, and Russia) accounting for over half the total portfolio in terms of net commitments (see Table 2.4).⁸ In contrast, 70 of the smallest borrowers account for only 5 percent of the commitments in the portfolio. Despite the large disparity in the share of net commitments, each of the two groups (the seven largest and the 70 smallest) account for about one-quarter of the portfolio in terms of number of projects—illustrating the adaptation of Bank lending programs to the diverse needs, interests, and capabilities of different borrowers.

Figure 2.1 Portfolio Distribution by Region, FY95–FY00



2.4.4 Networks and Sectors

The Private Sector and Infrastructure Network continues to have the largest portfolio in absolute terms (548 projects, \$51 billion). However, commitments have shrunk by over 20 percent during the past five years, mostly due to reductions in electric power, oil and gas, and telecommunication sectors, where private capital flows are now playing a major role (see Figure 2.2). In line with the Bank's

Table 2.4 Portfolio Concentration by Country, FY00

Country	Countries with More than 20 Projects		Country	Largest Commitments Exceeding US\$1B	
	Projects	US\$M		Projects	US\$M
China	113	19,117	China	113	19,117
India	76	12,850	India	76	12,850
Indonesia	63	5,533	Mexico	27	6,334
Brazil	56	5,741	Argentina	39	6,425
Argentina	39	6,425	Russian Federation	33	6,225
Russian Federation	33	6,225	Brazil	56	5,741
Mexico	27	6,634	Indonesia	63	5,533
Colombia	26	2,053	Turkey	22	4,067
Bangladesh	25	2,504	Bangladesh	25	2,504
Ghana	24	954	Colombia	26	2,053
Philippines	24	1,843	Vietnam	21	1,954
Tunisia	24	1,558	Philippines	24	1,843
Uganda	24	1,111	Poland	16	1,631
Romania	22	1,488	Pakistan	16	1,569
Turkey	22	4,067	Thailand	13	1,560
Albania	21	310	Tunisia	24	1,558
Egypt, Arab Republic of	21	1,453	Romania	22	1,488
Tanzania	21	1,161	Egypt, Arab Republic of	21	1,453
Vietnam	21	1,954	Ukraine	11	1,388
Morocco	20	900	Ethiopia	11	1,226
Senegal	20	718	Tanzania	21	1,161
			Peru	12	1,139
			Uganda	24	1,111

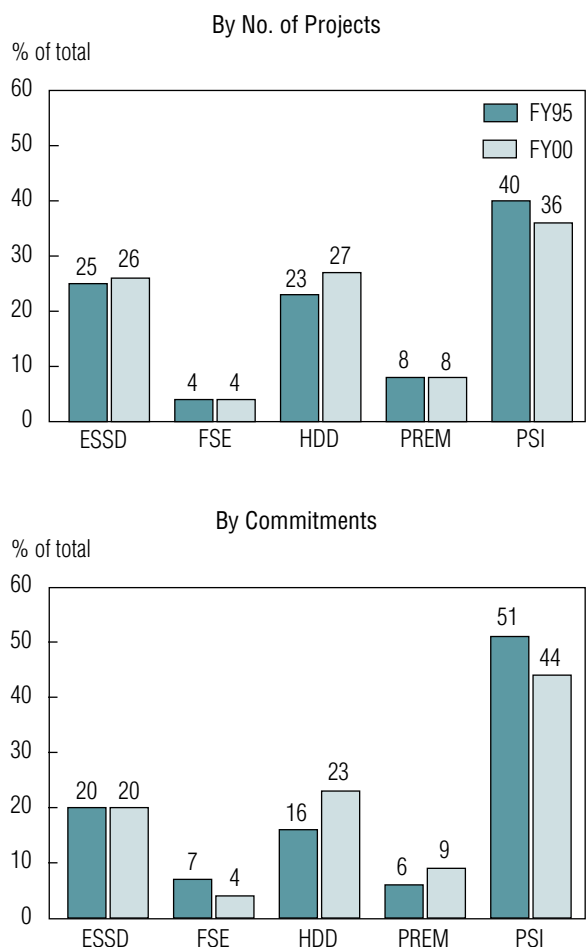
enhanced focus on human development, this portfolio over the same period expanded significantly, especially for Health and Social Protection. The relatively stable ESSD Network portfolio share masks a significant growth of the environment portfolio since FY95 and a decline in the rural development portfolio. Also of note is stagnation in the education portfolio, a key element for delivering on the International Development Goals.

2.5 Projects by EA category

As discussed in chapter 1, the Bank uses its four-tier approach (A,B,C,FI) for environmental categorization of projects. Review of the five-year period 1996 through 2000 shows that there are approximately 600–770 active A and B projects—more or less half of all active projects—in the Bank port-

folio. Usually, there are 100–150 (roughly 10 percent) active A projects in the portfolio in each fiscal year. In the same fashion, there are about 500–600 B projects per fiscal year (see Figure 2.3). Review of the portfolio activity indicates that there are approximately 120 new A and B projects entering the active portfolio every FY, of which 10 percent are A projects.

The A projects, however, constitute a larger percentage of the total lending (slightly less than 20 percent) in comparison to the total number of projects. This reflects the nature of these operations—they are generally larger infrastructure projects costing more and requiring greater scrutiny in terms of potential environmental concerns. It is important to note that although A and B projects are slightly more than half of the portfolio, these projects account for more than 60 percent of the lending. This supports the fact that the

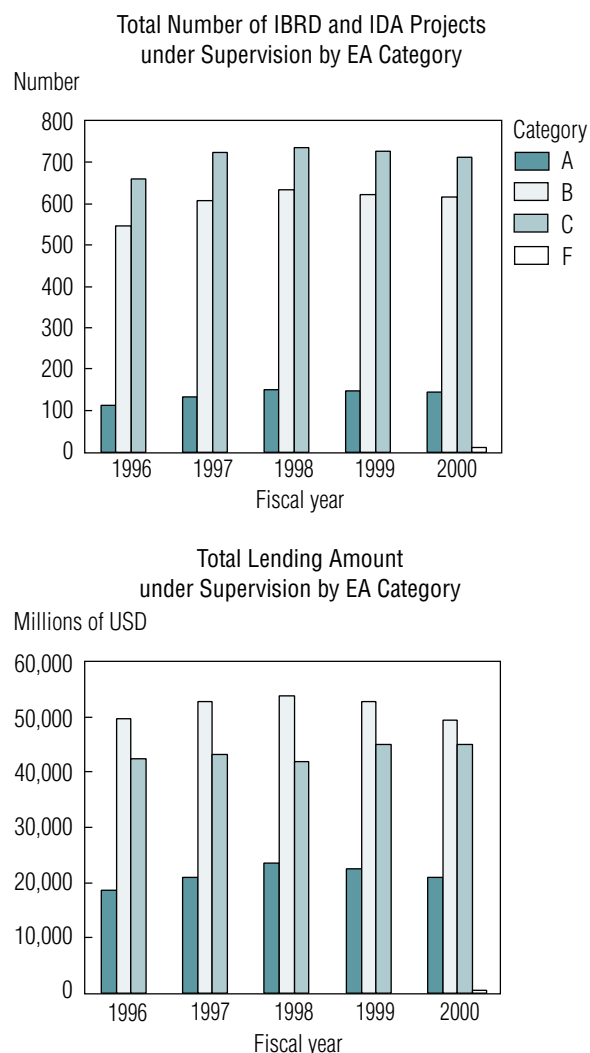
Figure 2.2 Portfolio Distribution by Network, FY95–FY00

C projects tend to account for a larger number of projects in most of the regions but are generally smaller loan amounts.

2.6 Conclusions

The Bank's safeguard policies have evolved quickly over the past few years, and although steps are being taken to ensure compliance, there is clear evidence that the road ahead calls for stronger and more effective measures. Compliance failures may be attributable in part to genuine confusion over new policies and procedures.

The new QACU is making significant strides in improving clarity for safeguard policies, expanding guidance for operational staff, and providing expanded information for operations (these efforts

Figure 2.3 Portfolio Distribution by EA Category, FY95–FY00

are detailed in chapter 8). Information sources pertaining to safeguard applications are located in a multitude of documents, reports, and project cycle documents. An overview is provided for each of these products with essential safeguard items highlighted. Much of the corresponding assessments discussed in subsequent chapters depend on these sources of information. Another challenge faced by those assimilating safeguard information in the bank is being able to navigate through the multitude of Bank databases and associated project-level storage bins. The important databases are described and weblinks provided to ease the way for interested users.

Annex 2.1

InfoShop <External>

The World Bank InfoShop (formerly the World Bank Bookstore and Public Information Center) is the main distributor of World Bank publications. It offers a large selection of publications of interest as well as providing public access to a range of operational documents previously restricted to official users. To keep everyone informed about the material currently available, the InfoShop homepages on the Internet are updated weekly. Operational documents are also available in Public Information Centers in Paris and Tokyo. Each of the offices has a reading room with a workstation to view the Internet and a full set of documents for reference.

The InfoShop is a comprehensive source for Bank project-related documents. Safeguard-related information submitted by operational staff to the InfoShop includes Environmental Assessments (EA), National Environment Action Plans, Project Information Documents (PIDs), Staff Appraisal Reports, Project Appraisal Documents (PADs), Resettlement Action Plans, Indigenous Peoples Development Plans, and others. The web page address of the InfoShop is: <http://www.worldbank.org/html/pic/PIC.html>. The web page can also be accessed through the Bank's main external web page: <http://www.worldbank.org>

ImageBank3 <Internal>

The ImageBank is a web-based text search and retrieval system containing a collection of Bank reports, most of which are scanned and available in imaged format, and can be accessed via a web browser and searched through a search engine. The ImageBank contains citations to over 34,000 final operational reports produced since 1946, and is growing at over 60,000 pages per year. These reports include SARs, President's Reports and Memoranda, Economic and Sector Works, Evaluation Reports and Studies, and Global Environment Facility and Montreal Protocol Project documents. The ImageBank also contains working papers and publications. Reports produced af-

ter 1985 are usually available in full; for older reports, only a citation is available. For a listing of the most current report types available, click on the "Type search" option on the ImageBank's "Detailed Search" screen. The ImageBank's web address is: <http://imagebank3.worldbank.org/>.

To search reports/documents in the ImageBank,
Click the Detailed Search on top of the screen
Fill in the search criteria
Click "Go"

World Development Sources <External>

The external version of the ImageBank (WDS Version 2) contains images and text of over 6,000 World Bank reports, the majority of which were produced during the last six years. There are over 500,000 pages on-line, and the collection is growing larger day by day. You can use this web database to help find Bank reports rapidly, review the content of the reports on-line, and then use the information electronically. This worldwide web application allows rapid access to reports on-line from any internet connection. Many documents are in PDF format for easy downloading.

The WDS can be accessed at: <http://www-wds.worldbank.org/> or by going to the Bank's main external web page: <http://www.worldbank.org>

Click Publications

Click World Development Resources

ESSD Core Database <Internal >

The ESSD Core Database was developed in response to a need to monitor the portfolio from sectoral, cross-sectoral, and thematic areas and perspectives. It provides local database managers with frequent extracts of institutional lending and portfolio data. The data are accessible by project name, project ID, region and country, fiscal year, sector, EA category, or type of lending instrument. Related web sites at each project level can be accessed via: PDS, Business Warehouse on the WEB, Projects at Risk, OED, ImageBank, Controllers, and Country Briefs. The URL for this site is: <http://esd.worldbank.org/coredb/> The ESSD Core data

base is also available from the external Bank web site at: <http://www.worldbank.org>

Click Projects

Click Advanced Search

IRIS (Integrated Records & Information Services) <Internal>

IRIS is an electronic imaging and filing service used to store, search, view, and print documents. It offers searches of electronic filerooms for correspondence and reports created or received by a work group. The Information Solution Group's imaging services (electronic scanning, indexing, storage and retrieval of files) enable staff to: access project/country documentation filed in a central data/image bank; identify specific subjects across a large set of data that are independent of a country or operations region; re-use information contained in retrieved documents; integrate the information with documents produced internally and externally, including mail messages; organize a unit's electronic files effectively, to avoid misfiling and loss of documents; and control unauthorized access to documents, with disaster-recovery protection.

Version 2 contains images and text of over 16,000 World Bank Reports and Regional Reports, the majority of which were produced during the last six years. This web application is used to help find bank reports rapidly, review the content of the reports online, and then use the information electronically. An image of each page can be read or printed, or you may request that a hard copy of the complete report be printed and sent to your location. Both the text of the report (formatted using Optical Character Recognition software) and image portions of a bank report can be "cut and pasted" into your own document, saving you time while documenting your own project.

The URL for this site is: <http://iris/>

Business Warehouse/SAP <Internal>

The Institutional Business Warehouse (BW), the World Bank's data reporting system, contains Bank reports, including Lending, Portfolio, Loan, Operations Evaluation Department, Quality Assurance Group, Country Assistance Strategies, Resource

Management, and other data, which are updated from SAP and other institutional systems on a frequent schedule. Some examples of reports and data available in BW are:

- Historical data and FY00 of dropped projects
- Lending approvals and lending timetable snapshots, including FY00
- Data for Rapid Supervision Assessment III and ESW I
- Weekly snapshots of the portfolio indicators
- Service standards relating to lending and portfolio indicators

A number of BW reports are available on the BW site on the Bank's Intranet. The URL is <http://bankreports>. The site provides 'snapshots' of BW reports that can be used for monitoring the project portfolio including Stale PSRs Projects at Risk and Service Standards. Different views of detailed project data are available by Region and Network—updated weekly. The Board Schedule, updated weekly as well, is also available. The site is open to all staff, at Headquarters and in Country Offices, and does not require a BW user ID and password.

Project Search Database <External and Internal>

This online database provides data and information on the Bank's current portfolio of pipeline, active, dropped, and closed projects. As of October 27, 2000, the data date back to 1992. Pipeline projects contained here are only those that were already received by the InfoShop. The advanced search function allows you to narrow down your search by regions and countries, sectors, lending instrument, board approval year, EA category, and project status. You can sort the search result by country, project status, and so on. The database is linked to World Development Sources, through which you can access to all the relevant documents (PID, PAD, etc.) on the project you found through the search.

The web address of this site is: <http://www4.worldbank.org/sprojects/>

You can also access the web page by going to the main external web page of the World Bank at: <http://www.worldbank.org>

Click Projects

Click Advanced Search

Notes

1. See *Country Focus and Safeguard Policies: Institutional Issues*, paras. 29–33.

2. QAG, *Quality at Entry in CY 98: A QAG Assessment*, May 17, 1999; *Supervision Quality in FY99: A QAG Assessment* (Washington, D.C.: World Bank, October 14, 1999).

3. Nepal-Arun III, Brazil-Rondonia Natural Resources Management, Bangladesh-Jamuna Bridge, Argentina/Paraguay-Yacereta Hydroelectric, Brazil-Itaparica Resettlement and Irrigation, India-NTPC Power Generation.

4. Inspection Panel Investigation Report, The Qinghai Project, April 28, 2000.

5. The most established of the Trust Fund Programs is the Global Environment Facility, with 42 active projects and net commitments of \$419 million. The next in importance is the Montreal Protocol, which includes 19 umbrella projects with net commitments of \$458 million. The TF portfolio also includes 24 projects with net commitments of \$244 million in West

Bank and Gaza, East Timor, and Kosovo funded out of the Bank's net income. Since the TF programs—in all, 85 operations with a net commitment of \$1.1 billion—constitute only a small fraction of the total portfolio, they do not materially affect the overall performance of the portfolio. However, as it has not been possible to retrofit the historical data for this change, time-series analyses in this report are based on the traditional portfolio, excluding the TF programs.

6. The portfolio also includes 14 Guarantees provided under the Guarantee Program.

7. A total of eight adjustment operations with net commitments of \$1.5 billion entered and exited the portfolio during FY00 and are thus not reflected in the end-year portfolio. Over the past five years, adjustment lending has amounted to 36 percent of total Bank commitments—almost thrice the share in the FY00 portfolio.

8. It is worth noting that the seven largest borrowers include about 60 percent of the total population of the Bank's Part II member countries and a similar share of the world's absolute poor.

