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IDA and the Environment

Awareness of the links between poverty reduction and environmental protection has grown rapidly in recent years. The issue is especially important for the International Development Association (IDA), the World Bank affiliate whose purpose is to support the long-term development of the world's poorest people. Poor people are often most vulnerable to environmental degradation, and in turn poverty is often a main cause of environmental damage.

Environmental damage has real -- sometimes crippling -- economic costs that threaten economic growth and poverty reduction. The health of hundreds of millions of people is endangered by contaminated drinking water and polluted air. The productivity of natural resources is being lost in many places because of the overuse and pollution of renewable resources such as soils, water, forests, and the atmosphere.

The poorest people, and the poorest countries, are most often affected by environmental degradation, particularly unsafe water and inadequate sanitation, soil depletion, and outdoor and indoor air pollution. Unlike the rich, the poor cannot afford to protect themselves from contaminated water, in cities they are more likely to spend much of their time on the streets, breathing polluted air; in rural areas they are more likely to cook on open fires of wood or dung, inhaling dangerous fumes; and their lands are more likely to suffer from soil erosion.

Good environmental practices not only improve the quality of people's lives -- they also can have high economic returns, if valuable natural resources are managed to produce permanent benefits.

IDA helps its borrowers ensure that environmental concerns are integrated into project planning and implementation and into national economic policies.

IDA's environmental activities include formulating sustainable environmental policies with borrowing governments, financing environmentally sustainable programs and projects, funding training and research, and coordinating development assistance with other bodies. These activities have four objectives:

- To assist member countries in setting priorities, building institutions, and implementing programs for sound environmental stewardship
- To ensure that potential adverse environmental impacts from IDA-financed projects are addressed

- To assist borrower governments in building on the complementary aspects of economic development and sound environmental management
- To address global environmental problems, such as pollution of the atmosphere and oceans and the loss of biological diversity, through participation in the Global Environment Facility (GEF).

Environmental Action Plans

IDA borrowers are preparing Environmental Action Plans (EAPs) to set environmental priorities and map investment and other strategies for achieving them. EAPs also allow IDA and other lending institutions and donors to focus support for investments on agreed priority areas. As of March 1993, some 10 IDA borrowers had completed EAPs. Another 20 were expected to have completed EAPs by the end of June 1993. The bulk of the remainder, most of which are in Africa, are scheduled for completion in the fiscal year ending June 30, 1994.

The EAP process is indigenous to the borrower and is expected to be participatory and driven by the country's needs. This is essential for the country's environmental concerns to be integrated fully into its development strategy. In many countries a wide variety of civic groups and private sector bodies participate in preparing EAPs.

IDA's role in the preparation and implementation of an EAP is primarily to provide advice and help arrange technical assistance, if the government requests it. Each action plan is tailored to the problems and needs of the individual country. But all share the common goals of setting priorities, developing or strengthening environmental policy and the institutions and laws to deal with these environmental priorities, and building up human resources for implementing the

resulting programs. As a process, rather than a single product, EAPs are expected to change as priorities shift and problems are tackled.

Research and Analysis

Underpinning EAPs and IDA's support for developing countries are IDA's studies and policy analyses that help to inform IDA's policy discussions with governments and guide the borrower's investment planning. A growing number of studies concern environmentally sustainable development.

The 1992 *World Development Report, Development and the Environment*, explores the conditions under which policies for economic growth can complement those for environmental protection as well as the cases where there are trade-offs and choices to be made. The Bank conducts a wide range of sector studies and applied research as well. One example is the *Forest Sector Policy Paper* (1991), which established policy for a sustainable and conservation-oriented forestry lending program. The policy includes the principle that the Bank does not finance commercial logging or the purchase of logging equipment for use in tropical moist forests.

Environmental Considerations in Project Design

The Bank continues to strengthen its capacity to assess potential environmental impacts from projects it supports. Environmental Assessments (EAs) identify ways of making projects more environmentally sustainable by preventing, minimizing or compensating for adverse impacts.

An Operational Directive on Environmental Assessment requires Bank staff to classify investment projects into three categories depending on their potential environmental impact. For "category A" projects, the borrower must conduct a full environmental assessment. Examples include dams and reservoirs, industrial estates, large-scale irrigation and flood control, and land clearance. Projects placed in category B undergo environmental analysis but do not require full environmental assessment. Examples include small-scale agroindustry, aquaculture, rural electrification, watershed management, and rural water supply and sanitation. No environmental assessment or analysis is required for category C projects -- such as family planning, education, health, and nutrition -- because these have no environmental impact.

This comprehensive procedure is supplemented by guidelines and policies on certain complex issues that

arise in some projects. These include the longstanding *Wildlands Policy* aimed at ensuring that wildlands of special concern are not converted with Bank or IDA funding and that environmental impacts on other wildlands are minimized. It calls for project components to be specifically designed to conserve wildlands as much as possible. There are similar directives and related requirements to ensure that borrowers protect the rights and livelihoods of indigenous peoples, protect and compensate people displaced by projects, and conserve cultural property, as well as a host of others.

Public access to environmental information is also crucial to the formulation and success of policies for environmentally sustainable development. EAs are to be made locally available and there is to be consultation with local affected groups and local NGOs. In addition, the Bank is working to make environmental reports more publicly available on Bank premises. The Bank also publishes an annual report on its environmental work.

IDA's Support is Vital

These environmentally sound policies and programs are essential for sustainable development. But in the short term they often add to investment and operating costs. Most low-income countries cannot finance these costs from their own resources. IDA's concessional finance provides critically needed support for comprehensive environmental initiatives that are essential to ensuring sustainable economic growth in poor countries.

During the three fiscal years 1991-93 (July 1, 1990 to June 30, 1993), IDA approved about 60 projects that were primarily environmental, with financing of over \$2.5 billion.

Lending increased notably for strengthening borrowers' own environmental institutions and for management of critical natural resources such as forests, fresh water, wildlife, and soils.

Reflecting the special importance the World Bank attaches to the environment, a new Vice Presidency for Environmentally Sustainable Development came into existence at the beginning of 1993. It incorporates the Environment Department, the Agriculture and Natural Resources Department, and a third department which is responsible for Transport and Urban Development. This new structure will strengthen the integration of environmental concerns into IDA's analysis and lending. (Apr. 1993)