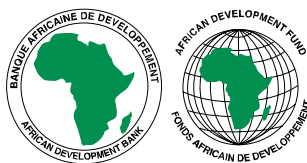


AFRICAN DEVELOPMENT BANK GROUP



**EVALUATION OF THE PERFORMANCE AND
EFFECTIVENESS OF THE AFRICAN DEVELOPMENT
BANK'S ENVIRONMENTAL POLICY AND
ENVIRONMENTAL ASSESSMENT PROCEDURE**

**OPERATIONS EVALUATION DEPARTMENT
(OPEV)**

18 December 2000

EVALUATION
of the
PERFORMANCE AND EFFECTIVENESS
of the



AFRICAN DEVELOPMENT BANK'S
ENVIRONMENTAL POLICY AND ENVIRONMENTAL ASSESSMENT
PROCEDURE

OESU/OPEV

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ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
ADF	African Development Fund
APPR	Annual Portfolio Performance Review
CADI	African Development Institute
CAR	Central African Republic
CEO	Country Environmental Officer
CEP	Country Environmental Profile
CD	Country Department
EA	Environmental Assessment
EBRD	European Bank for Reconstruction and Development
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
EP	Environmental Planning
GIS	Geographic Information System
IFC	International Finance Corporation
IFI	International Finance Institution
LoC	Line of Credit
MPDE	Methodology for Project Design and Evaluation
NGO	Non-Government Organisation
OCDS	Operations Country Departments
OCDC	“ “ “ Central
OCDE	“ “ “ East
OCDN	“ “ “ North
OCDS	“ “ “ South
OCDW	“ “ “ West
OCOD	Central Operations Department
OESU	Environment and Sustainable Development Unit
OPEV	Operations Evaluation Department
OPSD	Operations Private Sector Department
OPVP	Vice Presidency - Operations
PALMS	Project and Loans Management System
PCR	Project Completion Report
PPER	Project Performance and Evaluation Report
REA	Regional Environmental Assessment
RMC	Regional Member Country
SAL	Structural Adjustment Loan
SecAL	Sector Adjustment Loan
SEA	Sector Environmental Assessment
SIA	Social Impact Assessment
TAF	Technical Assistance Fund
TOR	Terms of Reference

EXECUTIVE SUMMARY

1. This is the first review of the implementation and effectiveness of the Bank's environmental policy since it was approved by the Board in 1990. During the past nine years many changes have taken place including a major reorganisation of the Bank staff and structure during 1995 - 96. There is also an evolving change in Africa with a greater awareness of the need to integrate ecological stability and social concerns into development activities. The African Development Bank is a unique African institution and reflects the changing values on the continent. The review notes the reflection of that change in the evolving importance of environment from the ADF-VI Lending Policy to a central pillar of development in the ADF-VIII Lending Policy. In that respect the implementation of the Bank's Environmental Policy is of prime importance as one of the leading instruments of change in its RMC constituency.

2. This report, compiled during the period of April - June 1999, reviews the performance and effectiveness of the implementation of the Environment Policy from 1993 till the end of 1998, and proposes changes and additions to provide a basis for its revision and updating. It is also coincidental with the preparation of a Vision document for the Bank and the revision of the Operations Manual, and identifies areas where it can feed into the preparation of those documents. The specific objectives of the review are:

- to provide an overview of the status of the implementation of the Environmental Policy directives and the Bank's institutional response;
- to evaluate the quality of the Environmental Assessment work prepared for the Bank through an analysis of Environmental Impact Assessment reports;
- to assess the effectiveness of the EA process in making projects more environmentally sustainable with an emphasis on Bank internal functions and processes;
- to examine implementation experience in projects subject to a full EIA;
- to examine the use of EAs in Category 2 projects, and special areas such as Structural Adjustment Loans and lending to the private sector.

Implementation of the Environmental Policy - an Overview

3. The Environmental Policy document laid out a specific set of directives accompanied by a specific strategy which laid down a clear work programme for implementing the policy. As a basis for examining progress in implementing the Policy the review created a table in which it summarised the directives and then classed them as "operational", "in progress" or "no progress". Since the reorganisation the Bank has made considerable progress with 40% of the policy directives classed as "operational" and an additional 35% as in "progress", providing **an overall** 75% success rate. The Policy identifies two objectives:

- "to incorporate environmental considerations into the policy formulation, project design and project implementation, and secondly,"
- "help RMCs improve their environment and sustain their natural resources."

4. The bulk of the policy implemented to date addresses the first objective and relates largely to operationalising the policy within the Bank. The Environment and Sustainable Development Unit (OESU) has been created and staffed, with an additional five environmental specialists placed in the Country Departments. The OESU has added other cross-cutting specialists and is now preparing policy papers on cross-cutting issues, which will eventually be wrapped, with environment, into a sustainable development policy. There is only one staff related policy directive that was identified as “no progress” and that relates to the hiring and placement of environmental economists in the Country Departments. That, in turn, affected the Bank’s ability to implement related aspects of the policy directives.

5. From an operational point of view an environmental categorisation process has been devised to assign all the projects in the lending programme to an EA category and is operating well, with some procedural exceptions that are addressed in succeeding chapters. The EA¹ Categorisation allows environmental concerns to be introduced through all stages of the project cycle. It is at that point, however, that the policy directives classed as “no progress” begin to affect the operationalisation of the policy, and the second objective, that of helping RMCs improve their environment and sustain their natural resources.

6. The Review considered that the operationalisation of the policy within the Bank organisation was an essential Phase 1. Utilising the Policy initiatives to assist the RMCs could be considered as Phase 2. There are two main aspects of the Policy remaining to be implemented, and they affect the accomplishment of the second objective. They are: (i) the hiring of environmental economists and (ii) the provision of funds to assist RMCs implement environmental projects and to assist Environmental Officers contract specialised support to help them service the growing environmental portfolio. The Review concluded that the environmental portfolio, consisting of Category 1 and 2 projects, is growing to the point where the Bank is increasingly dependent on external assistance to cope with the workload. To date, most of the activity has concentrated on integrating environmental considerations into projects. In terms of project supervision and the development of new initiatives to strengthen RMC capabilities, however, funds and time are limiting factors that the Bank needs to consider seriously.

Institutional Aspects

7. It is generally agreed that the environmental categorisation of a project should be done at the Project Brief stage so that ecological and social factors are integrated with technical and economic data during preparation. The Review found that there were still occasions when projects were presented for categorisation the same year that appraisal was planned.

8. The environmental portfolio has grown steadily over the period of the Review with infrastructural and agricultural projects accounting for all of Category 1. Health and educational projects, with some SALs and Lines of Credit, enter into Category 2. An analysis of new projects categorised each year, indicated that the number of projects assigned to EA Category 1 has remained relatively stable at between 14% to 22% of the yearly total, while the number of projects assigned to Category 2 has shown a steady increase from a low of

¹ Note: Throughout the text EA is used to refer to the Environmental Assessment process which includes the preparation of an EIA report. EIA is used in to refer directly to the EIA report or information arising directly from the report.

31% in 1993 to 73% in 1998, with a corresponding drop in Category 3. If 1998 is taken as an example, Category 1 and 2 comprise anywhere from 23% to 69% of the projects in individual country programmes, depending on the development priorities of the RMCs in each of the Country Departments. That translates into a work load for environmental officers of 27 to 55 active projects that need to be serviced, without even considering those in the pipeline being prepared for Appraisal, and initiating new projects. Future allocation of resources for management of the environmental portfolio is becoming critical.

9. The location of the Country Environmental Officers (CEO) in the Country Departments puts them in the primary role of implementing the second objective of the Environmental Policy or, Phase 2, of helping RMCs develop their environmental capacities. To effectively carry out their responsibilities the CEOs need an overview of the entire country programme to remain up to date on the developments of their portfolio and, to be able to initiate support to the Task Managers in all divisions. At present all CEOs are placed in one of the Divisions reporting to a Division Manager. The CEOs should be responsible for implementing and monitoring the Environmental policy at the country level with their job description prepared by OESU in close consultation with the CD Directors. They should have the authority in their department to effectively implement the environmental policy and they should not be given assignments as Task Manager. The job description and responsibilities should be the same in each Country Department. They would receive backup support and policy direction from OESU, but be under the day to day management of, and report to, the Department. Such an arrangement also emphasises the importance of the Country Departments for implementing the Environment Policy.

10. On other institutional issues, the Review notes that the lack of expertise in environmental economics is hampering the introduction of environmental safeguards into Structural and Sectoral Adjustment policy and programming, and other related issues. The Bank is presently developing a more proactive role towards NGOs and the review discusses the interface of NGOs with the EA public participation process. Finally it is noted that an intensive training course was held for Bank and RMC personnel on the EA process during 1996/97. Considering that the Bank is poised to launch "Phase 2" of its Environmental Policy while also considering other aspects of re-invigorating its future programming OESU may consider a refresher round of workshops at the country operational and RMC level. The refresher course should consider environment as a project-planning tool, its role in contributing to sustainable development and means of strengthening RMC capabilities in the environmental field.

Quality of EIA

11. The implementation of the Environmental Policy is centred on the EIA process and thus, the quality of the EIAs conducted on the Bank's projects is primary to the satisfactory implementation of the policy. The Review analysed a sample of EIAs assessing the quality of each of the standard components of the process namely: impact assessment, consideration of alternatives, public consultation, mitigation plans, monitoring plans, and management plans. The results were assessed as excellent, good, adequate or inadequate and presented in table format. The EIA reports from Category 1 projects reviewed, represented all the Country Departments and a wide variety of activities in the agriculture and infrastructure sectors.

12. Overall, the general quality of the sample EIAs suggests room for improvement. The majority of the reports reviewed scored reasonably well for the EIA component “assessment of impacts” when the categories of good and excellent are combined (67%) but, all the other EIA components scored below 50% in those combined categories with the exception of the preparation of “mitigation measures” which scored 53%. **One reason for the low scores could be because of the small sample size (15 EIAs) analysed. In this respect, the World Bank’s evaluation was based on a sample size of 109 EIAs. Another possible reason is that the TOR did not adequately emphasise this component for the EIA study.** Of greater concern were the high “inadequate” scores for the components of “alternatives”, “public consultation” and “management plan”. Interestingly, the analysis of alternatives and public consultation have traditionally been the components of EIA that receive inadequate attention.

13. The Review notes a number of reasons why the analysis of alternatives is weak. Also significant is the poor record related to public consultation. Here again there may be a variety of influences that affect this component ranging from political sensitivity to insufficient skills, or lack of prior experience in public consultation. OESU is presently working in two subject areas that will help to improve that aspect of project preparation: a handbook on public consultation and participation and, a revised NGO policy. The Review notes the opportunity for a close working relationship between the NGO community and the public consultation phase of the EIA process. The Review also points out the opportunity for early integration of ecological and social analysis, for Category 1 and 2 projects, at the “Identification” stage of the project cycle. Participation by environmental and social experts in identification missions can strengthen the Bank’s project planning cycle and initiate the examination of alternative approaches and the involvement of local communities in the process.

14. The Review considers the Environmental Management Plan the most important outcome of the EIA but 53% of the EIAs examined had “inadequate” management plans. It is recommended that a strong emphasis be placed on the preparation of a stand-alone Environmental Management Plan complete with budget, that can be cited as a project component for Categories 1 and 2 projects. The Management Plan will provide the basis for environmental supervision and eventually evaluation, or the PPER. It should be an integral part of the MPDE matrix.

Influence of EA in Project Preparation

15. One of the primary necessities of EA is to participate in the project in as early a stage as possible. The initial screening advises the Task Manager of potential ecological effects of the proposed project, and thus the type of information that will have to be gathered in the early stages of project preparation. The review found that there were still cases where projects would reach the point where they were ready for appraisal before they were submitted for EA categorisation and, in some cases they qualified for Category 1 thus requiring an EIA. Depending on the project the process of preparing TOR, selecting a consultant and preparing the EIA could require a year, thus delaying the project. To ensure early categorisation the Review proposed changes to the Operations Manual whereby Division Managers are responsible for ensuring that the Project Brief has an EA Category assigned before it is forwarded to the CD Director for approval and entry into the project pipeline. The latest draft of the new Operations Manual has incorporated this proposal.

16. EIA can be a useful tool in assessing and helping to define options and design criteria for projects while in the process making them more ecologically stable. But, EIA is still regarded by many as a process designed only to identify negative environmental impacts of a project once it has been formulated. However, the Review sites a number of examples where the Bank's environmental process has enhanced the project.

17. The translating of EA findings and requirements into official documents at the Appraisal and loan stage is the point at which the Bank hands over the responsibility for the environmental aspects to the RMC. The Review found that the utilisation of the EA findings and recommendations in the final project documents varied greatly, from ignoring critical environmental aspects, to a significant role as a project component and as conditions of the loan. To strengthen the process and standardise integration of the EA findings into the project the Review proposes to focus on the management plan. The Environmental Management Plan will contain the mitigation and monitoring plans, it will identify the responsible agencies, a time table for carrying out the required activities and any necessary training elements, with a comprehensive budget. As a discrete set of activities and budget, the Environmental Management Plan can become a normal component of Category 1 and selected Category 2 projects. As a project component containing all the necessary environmental activities it can easily be translated into bidding documents and supervised during implementation.

18. Considering a variety of factors that related to the quality, implementation of EIAs and institutionalising the EA process into the Bank procedures, the Review proposes a modification of the EA process to make it more compatible with, and strengthen, the Bank's project cycle. Briefly, the EA should be modified into an Environmental Planning process for Category 1, and selected Category 2 projects. The typical EIA report deals with the main issues in the following manner: impact assessment, discussion of alternatives, public consultation, mitigation measures, monitoring plan, management plan. The proposed Environmental Management process would move the public consultation and discussion of alternatives forward to the project identification stage and highlight the Management Plan as the output from the EIA encompassing the mitigation and monitoring components. The Environmental Planning process would be initiated by the categorisation of the Project Brief. For Category 1, and selected Category 2 projects, it launches a Bank team of technical, ecological, economic and social experts to assist and advise the Task Manager and host country, develop the project during the identification stage as described in the Operations Manual (OM 400 para. 6, bullet 3).

Project Implementation - EA Experience

19. Assessing project implementation and performance can be revealing about a number of environmental aspects of the project cycle. It reveals the accuracy of the prediction of anticipated ecological and social changes, it exposes how well the institutional process translated the environmental concerns into the implementation process, and it is an indication of the effectiveness of the implementing agency.

20. The project life cycle at the Bank is 5+ years. In addition, Project Completion reports and Project Performance and Audit reports are carried out at least a year or more after the project finishes. That meant that PCRs and PPERs were available only for projects that

became effective in the early 1990s or before, which meant that many of the projects reviewed for this section of the report had been designed before the implementation of the Environmental Policy and for which an EIA was not available. However, a number of interesting and useful observations emerged:

- evaluators of older projects often recommended that the next phase (if that was under consideration) should include an EIA;
- a number of the evaluations raised the importance of including in the evaluation team, the relevant professional skills to evaluate all the important aspects of the project;
- In all cases where EIAs did not exist, and evaluators identified environmental problems, they were problems that are normally addressed by EIAs. That alone is an encouraging sign, as it indicates that EIAs have the potential to improve project design and implementation.

21. Environmental specialists were involved in only two of the PPERs reviewed. In each case they made a significant contribution to the report. However, in one case a serious environmental problem was identified (in the environment section of the report) that threatened the life span of the project but it was not carried through to the conclusions or recommendations. In two cases where Environmental Officers were involved in supervision missions, serious omissions or oversights in the project were identified. For all Category 1 and selected Category 2 projects it is important that officers with appropriate environmental skills are part of Project Completion or Project Performance and Audit missions.

22. Proper evaluation or audit of many environmental parameters is dependent on referring back to previous data to evaluate the changes. Such data, or standards, should be in the original EIA report or Environmental Management Plan. Considering the long time between submission of the EIAs and PPERs, it is important that the Environmental Management Plans are still available. The Review recommends that the Environmental Management Plans, or EIAs, be declared essential project documents, and that they be entered into the Bank documentation and archival system with Appraisal reports.

23. Finally, it should be noted that PPERs and PCRs both have a section on Sustainability. The descriptions of sustainability under that heading ranged wildly from production sustainability, to sustainability of foreign exchange rates. The Bank needs to provide a definition and guidelines for evaluating the sustainability of projects.

Special Issues

24. Category 2 comprises the largest number of projects in most Country Department portfolios ranging up to 72 % but to date they have received limited attention. The projects include all sectors and, involve different types of lending instruments. The supervision of such a large portfolio will require considerable time and resources that future budgeting and programming will have to take into account.

25. Sectoral and Regional EAs are discussed but since both of those planning tools are still in the developmental stages and, a number of institutional barriers prevalent in the RMCs

hamper their introduction and implementation, they are not recommended at this time. In addition, the Bank is still faced with the major task of assisting the RMCs to strengthen their capabilities to address their primary environmental responsibilities. However, with the shift in focus from project to programme lending, the need for Sectoral and Regional EAs will increase.

26. The Bank's private sector lending programme is still small compared to its public sector programme but it is a field that is growing among the international lending and donor community. Projects submitted for bank financing through the Private Sector programme are subject to the same EA procedures as the public sector, including the 120 day waiting period between EIA summary and presentation to the Board. The private sector, however, are frequently reacting to different pressures and deadlines than the public sector, often requiring them to process their financial obligations more quickly. This becomes more critical where the Bank is co-financing a venture with IFC and/or the EBRD both of which have a 60 day waiting period for a Category 1 private sector project². In the interests of harmonisation and, to make the loan procedure competitive with other lending institutions, the Bank should consider reducing the waiting period for private sector loans to 60 days.

27. In the developed world it is becoming increasingly common for companies to voluntarily establish production facilities to meet ISO14001 standards. That is an international standard for environmental management that has advantages for both the corporation and the host jurisdiction, as noted in the Review. The Bank is in a unique position, through its private sector lending programme to take the lead among the International Finance Institutions, and to establish a standard for African development, by suggesting, or requiring, that its private sector clients, where appropriate, establish an operation that meets ISO14001 standards.

The Road Ahead

28. The implementation of the environment policy is much like planting the tree on the cover of this report. The Bank planted the seed in 1990 and nursed the seedling in the early years to institute the EA process within the Bank and build a strong root system. The seedling has sprouted but has not yet branched out and spread its leaves to green Africa. That is the next phase of implementation. The Bank must take its environmental policy and branch out across Africa to strengthen and assist the RMCs.

29. The Review has identified a number of ways the Environmental Policy can be clarified and strengthened to prepare it to encourage RMCs to make environmental considerations an integral part of national development planning. The main recommendations build on each other:

- **Introduce environmental economics in Bank's economic analysis;**
- provide a Sustainable Development Fund or increased access to TAF, or to a PPF to support RMC environmental programming;
- increase resource support at the operations level to allow Country Environmental Officers to hire outside assistance to service the growing environmental portfolio;
- clarify the responsibilities of the CEO and harmonise their job descriptions among the different Country Departments;

² EBRD has 120 days public disclosure period for public sector projects.

- refresher environmental workshops at the operations and RMC level;
- emphasise the preparation of an Environmental Management Plan as a component of Category 1 and selected Category 2 projects;
- modification of the EA process into an Environmental Planning process for Category 1 and 2 projects where environmental and social specialists participate in identification and preparation team missions where public consultation and exploration of alternatives are initiated;
- environmental management plan becomes a strategic project document archived for future evaluation or Project Performance and Audit missions;
- streamline Private Sector loans to make them more competitive and in harmony with other lenders;
- encourage the introduction of the ISO14001 standard for selected types of Private Sector loans **particularly for large industrial and manufacturing process.**

30. Many of the above are in line with the Bank's Vision Document by mainstreaming environment into operations, providing environmental economists to support policy based lending, providing a more holistic Environmental Planning approach, and providing financial support for environmental development.

Chapter 1

INTRODUCTION

1.1 Background

1.1.1 The African Development Bank (ADB) first introduced environmental concerns into its organisation in 1987 with the creation of an Environment and Social Policy Division within the Central Projects Department. In 1990 the first Environmental Policy (referred to throughout the text as the Policy) was approved and published by the Bank's Boards of Directors and since that time has been the guiding instrument for institutionalising environmental concerns and practices into the Bank's lending programme. The most significant initial aspect of the Policy was the implementation of an Environmental Assessment (EA) process for projects and programmes which resulted in the initiation, in 1992, of twenty-three Environmental Impact Assessment (EIA) studies for projects in nineteen Regional Member Countries (RMC) and two multinational studies. At that time there were only two environmental specialists in the Central Projects Department. There followed a significant reduction in lending activity during 1994 - 95 during which the Bank went through a major restructuring. Environment was strengthened by an increase in staff and recreated in the Environment and Sustainable Development Unit (OESU) reporting to the Vice President, Operations. Since that time, an increasing emphasis has been placed on implementing the numerous directives of the 1990 Policy.

1.1.2 Since its adoption most aspects of the Environmental Policy have been implemented, the details of which are the focus of this report, but the Bank has seen fit to move forward to adopt a more comprehensive Sustainable Development view of its lending programme. It has challenged the OESU to further elaborate a Social Impact Assessment process encompassing social concerns and including the cross-cutting issues of gender, poverty, stakeholder participation and population, and to wrap the entire package with environment into a Sustainable Development policy framework.

1.2 Objectives

1.2.1 This Review, prepared under the collaborative guidance of OESU and the Operations Evaluation Department (OPEV), was compiled during the three month period of April - June 1999. It reviewed the performance and effectiveness of the implementation of the Environment Policy from 1993 till the end of 1998, identifying areas of strengths and weaknesses to provide a basis for its revision and updating. The approach focused on the Bank's institutional response to the Environmental Policy and its operational effectiveness in all aspects of the Policy directives and EA process.

1.2.2 The Objectives of this Review are to:

- provide an overview of the Bank's institutional responses to the implementation of the Environmental Policy and Guidelines;
- evaluate the quality of EA reports particularly in the critical areas of impact identification and assessment, public consultation, analysis of alternatives, and mitigation, monitoring and management planning;

- assess the effectiveness of the EA process in making projects more environmentally sustainable with an emphasis on Bank internal functions and processes;
- examine implementation experience in projects subject to a full EA;
- examine the use of EAs in Category II projects and more special circumstances such as Lines of Credit, Structural Adjustment Loans and lending to the private sector.

1.2.3 As an additional part of the preparation for the revision of the Policy, OESU engaged the services of the Stockholm Environment Institute (SEI) to review the Policy to identify areas of omission or weakness that need to be addressed. SEI identified the following issues that it considered the Policy revision should address:

- i. global environmental issues and international agreements and conventions;
- ii. trans-boundary and regional environmental issues;
- iii. additional cross-sectoral environmental issues like coastal zone management, wetlands, desertification;
- iv. make the policy more proactive;
- v. greater integration of social and cultural themes.

1.3 Methodology

1.3.1 The review is primarily a qualitative assessment of the performance of the EA process within the Bank and the effectiveness of the process on the Bank's lending portfolios. The principal sources of information were project related documents including the Project and Loans Management System (PALMS) database, EIA reports, Appraisal reports, Supervision reports, Project Completion reports, project legal documents, Project Performance and Audit reports and discussions with ADB staff. A short questionnaire (Appendix 1) was distributed to staff prior to appointments to stimulate discussions and to provide a basis for identifying any consensus.

1.3.2 Also included are readily quantifiable aspects of the EA process, such as environmental categorisation trends across sectors and regions and, quality rating trends for EIAs. The quality rating of a sample of EIA reports was done following the methodology used by the World Bank (1996). It consisted of grading the content of each of the main components of impact assessment, alternatives, public consultation, mitigation plan, monitoring plan and management plan, on a four-scale rating from inadequate to excellent. The sample covered the spectrum of sectors for which EIAs had been done, the study time frame and geographic regions.

1.4 Report Outline

Chapter 2 provides a review of the Environmental Policy focusing on an assessment of the progress in implementing the directives included in the Policy. The policy directives are summarised in table format where implementation is noted as "no progress", "in progress" or "operational". Chapter 3 then gives a review of the Institutional aspects of implementation of

the EA process in the project cycle, looking at project categorisation, growth of the portfolio, EA roles within the Bank, and other process issues. Chapter 4 provides an analysis of the Quality of EIA studies examining the main components of EA including screening, alternatives, impact assessment, public participation, mitigation measures, and management plans. In Chapter 5 the effects of EA on project preparation and its translation into official project documents is reviewed. The final stages of the project cycle of supervision and post evaluation of environmental aspects are discussed in Chapter 6, while Chapter 7 examines experience with Category 2 projects, private sector lending, and Sectoral and Regional Environmental Assessments. Recommendations are presented at the end of each of the chapters. A brief summary of the road ahead is provided in the concluding Chapter 8.

Chapter 2

IMPLEMENTATION OF THE ENVIRONMENTAL POLICY

2.1 Introduction

The Environmental Policy was approved by the Boards of Directors of the African Development Bank and the African Development Fund in June 1990. The policy document gave a brief overview of the environmental problems in the Regional Member Countries (RMCs) and laid out a specific set of environmental policy directives. They were accompanied by a specific strategy for implementation, which laid down a clear work program for the succeeding years. Those policy statements, with their reference number (example, 4.2), which refer to the same paragraph number used in the 1990 Policy document, are summarised in Table 1 and assessed as “operational”, “in progress” or “no progress”. The following discussion, related to Table 1, assesses the progress in implementing the Environmental Policy and identifies areas that may yet be incomplete or require review and strengthening.

2.2 Progress of Implementation

General

2.2.1 As an important source of development funds in Africa the ADB is in a strategic position to encourage RMCs to make environment part of their national development planning. The growing commitment to this course of action within the Bank is reflected in the increasing prominence given to environmental matters in the African Development Fund (ADF) lending policies from 1991 to the present. *ADF-VI Lending Policy* adopted by the Board in October 1991, slightly over one year after the adoption of the Environmental Policy (June, 1990), contained two, one-line, general references to environment (pp. 2 & 6). In stark contrast *ADF -VII Lending Policy* (1997) included environment as a basis for Development Sustainability (p.6) which it lists as one of the specific elements included in the five indicators of country performance used to assess a country's access to Fund resources. It also included a full two pages of description as one of the Sector and Inter-Sectoral Priorities for its lending portfolio (pp.12-14). *ADF - VIII Lending Policy* (Draft 1999) with minor elaborations, maintains the same prominence for environment.

2.2.2 The UN Brundtland Commission on the Environment brought to the fore, and popularised, the use of the term “sustainability” which is now frequently applied to development activities, which aim for “sustainable development”. Sustainable utilisation of natural resources requires ecological stability. Changes in ecological stability resulting, for example, from altered or polluted surface or ground water flows, rangeland or forest over-utilisation, loss of terrestrial or aquatic habitats, will bring about changes in productivity levels of natural resources, be they soils, forests, wildlife or waters. Environmental policies, usually implemented using Environmental Impact Assessment procedures, are aimed at minimising ecological disruptions resulting from development activities. As development agencies strive for sustainable development, environmental analysis of projects and programmes becomes as important as economic and technical analyses. The Board of Directors of the African Development Bank is putting that concept strongly forward in its ADF Lending Policies.

TABLE 1
Progress on Implementation
of
1990 Environmental Policy Directives

NOTE: Numbers refer to paragraphs in the Environmental Policy (1990).

POLICY DIRECTIVE	NO PROGRESS	IN PROGRESS	IN OPERATION
3.1 General			
3.1.2 Encourage RMCs to make environment part of national development planning		Growing recognition of environment as basic necessity for development in ADF VII and VIII Lending Policies	
3.1.3 Minimise adverse environmental effects in its planning - promote environmentally beneficial projects		in progress	Operational see 4.1.2
3.1.4 Incorporate environmental considerations into project design and implementation - help RMCs improve their environment and sustain their natural resources		random progress	Operational see 4.1.2
3.1.5 Support RMCs strengthen env'tal institutions	no progress		
3.1.6 Co-ordinate efforts with multinational and international institutions and NGOs			Operational see 4.3.8
3.2 Environmental Policies for Major Sectors & 3.3 for Cross-Cutting Issues			
3.2.1 Develop sector and subsector (Cross-cutting) environmental policies			Complete exceptions, see text
3.2.2 Environmental examination will be carried out on all Bank projects			Operational see 4.1.2
3.4 Env'tal Policies for Non-Project Lending			
3.4.1 Introduce environmental safe guards within Structural and Sectoral adjustment policy and reform tools during their design and implementation	no progress see 3.4.4		
3.4.3 Through policy dialogue will: (1) assess environmental policies in Country Programming to enhance environmental action, and environmentally beneficial projects (2) influence RMCs to develop GIS (3) include environmental and natural resource concerns in development planning (4) through economic analysis evaluate env'tal impacts of price control and subsidy policies (5) influence RMCs to develop environmental economic analysis capability to value national capital (natural resources)	no progress no progress	In progress In progress CAR and neighbours	Operational
3.4.4 Assess environmental impacts of Structural, and Sectoral adjustment loans	no progress		

TABLE 1
(continued)

**Progress on Implementation
of
1990 Environmental Policy Directives**

POLICY DIRECTIVE	NO PROGRESS	IN PROGRESS	IN OPERATION
4. Strategy for Policy Implementation			
4.1.1 Environmental considerations, where essential, will be an integral part of loan agreements and bidding documents		in progress	
4.1.2 An Environmental Assessment system will be utilised through all stages of the Project cycle.			Operational
4.2 Environmental Guidelines			
4.2.1 General and specific environmental guidelines for the various sectors and sub-sectors of the Bank Group lending program activities will be developed.			Complete (some exceptions see text)
4.3 Support Measures for Policy Implementation			
4.3.2 Training			Operational
4.3.4 An environmental data base and GIS will be developed for use of Bank staff and RMCs		- resource centre established: GIS training 1998, discussions on best use of GIS in progress	
4.3.5 Women will participate in the Bank's environment program and projects.			Operational
4.3.7 The ADC Group will encourage RMCs to strengthen the role of NGOs in environment related programs		in progress	
4.3.8 The ADB Group will strengthen its collaboration with other IFIs and international NGOs and support international action in environmental and natural resource management.		in progress ADB to host Regional Unit for Convention to Combat Desertification	
4.4 Institutional, Staffing and Financial Implications			
4.4.1 Environment will be examined in: (1) country economic and sector work, (2) project lending, (3) structural and sectoral adjustment loans and (4) country programming.	no progress no progress		EA Operational
4.4.2 Environmental staff and structure will be institutionalised: - OESU created - environmental expertise in all Operations Dep'ts. - environmental Economists in Country Program Dep'ts	no progress	random progress	Operational Operational
4.4.3 Financial resources will be allocated for environmental activities.		in progress	

2.2.3 The Environmental Policy identifies two objectives. The first addresses the internal operations of the Bank and is aimed at mainstreaming environmental considerations into Bank policies and programming and, the second is aimed at assisting it's clientele, the RMCs, improve their environment and sustain their natural resources. The first objective is largely

addressed by the development of the OESU and institutionalising an EA process. It is a necessary step towards fulfilling the second Policy objective at the RMC level, which directs the Bank to:

- encourage RMCs to make environmental considerations an integral part of national development planning;
- enhance the environment by the promotion of environmentally beneficial projects and;
- support RMCs to develop and strengthen existing institutional and human resource capabilities to undertake environmentally sound management.

2.2.4 The above Policy directives are noted as in progress, but progress is inconsistent. Searching project and programme portfolios identifies some projects in those fields, but it is difficult to assign them to the influence of the Environmental Policy.

2.2.5 For an assessment of performance or progress in a sector one could consult Annual Portfolio Performance Reviews (APPR). However, environment is a cross-cutting issue not identified as a sector and therefore not readily identified in the reports, and certainly not examined on a project by project basis. Considering the growing central importance of environment as a basis for sustainability and the number of projects classified as Categories 1 and 2³, it could prove useful to link environment into the APPR process. That is particularly true for Category 1 projects where there is a full EIA attached that could be reviewed and assessed as part of the APPR. Follow-up environmental audits would **also** provide useful information for review of the environmental portfolio performance as part of an APPR.

2.2.6 The Bank by its nature co-ordinates and co-operates with a large number of multilateral, regional and global, international organisations as a means of expanding the Bank's influence and reinforcing common goals. This is an ongoing process and is noted as "operational". Since the Environmental Policy the Bank has increased its emphasis on environmental organisations and conventions. It (OESU) hosted the Multilateral Finance Institution's Environment Group meetings in May/99, and has recently approved hosting a Regional Co-ordination Unit for the Convention to Combat Desertification. As part of its co-ordination efforts the Bank is revitalising its relationship with the NGO community moving from a reactive to a more proactive stance. This is an ongoing objective that is "in progress".

Environmental Policies for Major Sectors and Cross-Cutting Issues

2.2.7 The main sectors, and some sub-sectors, of the Bank's portfolio have their separate policy statements many of which make reference to the environment, but those that may have been prepared before the Environmental Policy or do not make reference to the environment, are being corrected as they are updated.

2.2.8 The Policy then went on to direct that environmental examination will be carried out on all Bank's projects through the use of sectoral guidelines and assessment procedures. Both the guidelines and the EA process are complete and operational.

Environmental Policies for Non-Project Lending

³ See section 3.1.2 for a description of the EA Categories.

2.2.9 Policy directives related to non-project lending, such as loans to intermediary institutions, lines of credit or for structural adjustment are more difficult to deal with than the typical project related assessments and it is in those areas that the implementation of the Environment Policy is lagging.

2.2.10 Progress on the Policy directive to “introduce environmental safeguards within Structural and Sectoral adjustment policy and reform tools” has been inhibited by the lack of environmental economic expertise in the Bank with specific instructions to address those issues. The Policy envisioned environmental economists in each of the OCDs, but this is the only aspect of staffing that has not yet been addressed.

2.2.11 Table 1 lists five, non-project, lending initiatives that the Bank proposed to undertake. The first, “assessing environmental policies in Country Programming to enhance environmental action, and environmentally beneficial projects” was begun with the commissioning of a series of Country Environmental Profiles (CEP) in 1993. The profiles were prepared by local consultants in each of the RMCs and describe, among other subjects, the existing state of environmental policy, legislation and institutional development. The CEPs are meant to provide background environmental information for Bank staff and RMCs to facilitate the integration of environmental concerns into country programming, Country Strategy Papers (CSP) and project design. The initiative has concluded with 32 CEPs prepared. To date, most of the focus in the operating departments has been on instituting the EIA procedures with particular attention on Category 1 projects. As a result, environmental discussions at the policy level have not been carried forward in the Country Strategy Papers.

2.2.12 Few of the Country Department staff appear to be aware of the CEPs, nor do they appear to be regularly used as background material for CSPs where Country Environmental Officers are not part of CSP teams. Considering that the information in the CEPs quickly becomes outdated it may still be useful for Country Environmental Officers to make another distribution to officers responsible for CSPs with some explanation of their purpose related to the Environmental Policy directives. An alternative, that has been suggested, is that electronic copies of the CEPs be created and distributed to the country officers concerned with proposals for their use. As electronic copies they would be less bulky to take on mission.

2.2.13 The second non-project lending initiative recognised the usefulness of Geographic Information System (GIS) as a tool for mapping and planning, and directed the Bank to “influence RMCs to develop GIS capabilities”. For example, the Bank is participating in one GIS related project with other donors, in a Regional Environmental Information Management Project involving six central African countries in the Congo Basin.

2.2.14 Including environmental and natural resource concerns in development planning is the third non-project lending initiative envisioned. As a general statement the inclusion of the EA process in the Bank has accomplished this directive and as the participation of Country Environmental Officers in country programming increases this directive will be strengthened. Although there are still many advances yet to be made, as outlined further in this report, the directive can be classed as operational.

2.2.15 The 4th and 5th non-project lending initiatives are the evaluation of environmental impacts of price control and subsidy policies through economic analysis, and to influence RMCs to develop environmental economic analysis capability to value national capital (natural resources). Both of those are largely dependent on the inclusion of environmental economic expertise in the OCDs or OESU. As noted in 4.4.2 below, this is the only item of staffing that has not yet been addressed.

2.2.16 As noted at the start of this section assessing environmental impacts of Structural and Sectoral adjustment loans is not only difficult, but procedures and methodologies at the world wide level are still being developed and improved. There has, however, been a limited attempt to address the issue assigning projects to Categories 1, 2 and 3. To date, there has not been any follow-up or monitoring of those projects. Recognising the difficulties inherent in this type of lending instrument, the lack of monitoring follow-up, and the lack of environmental economic expertise in the operating departments, this item was classed as “no progress” in Table 1.

Strategy for Policy Implementation

2.2.17 The strategy for implementation notes two approaches: (1) the use of an Environmental Assessment system through all stages of the project cycle and, arising from the EA; (2) the inclusion of environmental considerations, where essential, as an integral part of loan agreements and bidding documents (see page 2 of Table 1). The EA process is now an integral part of the project cycle and is noted as “operational” in Table 1 although, as addressed throughout the report, there are still residuals throughout the system that view environment as an add-on, rather than an essential element of good practice. The inclusion of environmental considerations in loan agreements and bidding documents does occur where the environmental aspects are particularly significant. However, the opportunity exists to have environment play a more prominent role than at present, as a result this item is noted in Table 1 as “in progress”.

2.2.18 An Environmental Assessment (EA) process has been established and is operational thus allowing the Bank to fulfil its directive that “environmental examination will be carried out on all Bank’s projects through the use of sectoral guidelines and assessment procedures”.

Environmental Guidelines

2.2.19 In addition to the institutionalisation of the EA process, 13 detailed Sector Environmental Assessment Guidelines for the major sectors and cross-cutting sectors have been prepared to assist country officers identify environmental considerations related to those sectors. The Guidelines provide a comprehensive summary of the potential environmental impacts associated with the particular sector, technical quality criteria such as pollutant emission standards, questions to be asked at each stage of the project cycle and, technical and institutional resources and problems. The Guidelines are very well done and should serve to quickly alert Task Managers to the need for environmental expertise on the project team. The problem related to the Sector EA Guidelines is the irregular use and awareness of them in the Country Operation Departments.

Support Measures for Policy Implementation

2.2.20 The Policy identified five measures that would be implemented to support the environmental initiative. All of those measures, discussed below, are complete or in progress.

2.2.21 An extensive training and information programme was conducted during 1996/97 which included environmental awareness seminars and Environmental Impact Assessment (EIA) training for Bank staff, and two EIA workshops for 25 different RMCs. The EA procedure instituted for categorising projects is working well but, there are still areas that need re-enforcement, i.e. projects are presented for EA categorisation after they have

progressed beyond the initial stages or, environment may still be considered as an add-on to project preparation, rather than a necessity along with economic and technical feasibility.

2.2.22 The Environmental Policy envisioned the development of an environmental data-base and Geographic Information System (GIS) expertise. An Environmental Resource Centre was established in 1997 and is in the process of acquiring and cataloguing documentation and environmental references. The Centre also participated in the introductory GIS training and has acquired GIS operating software. There is, however, a realisation that the establishment of a fully operating GIS unit at the Bank may not be the most efficient means of serving the Bank's clients. The focus should be on establishing or strengthening GIS capacity at a sub-regional level.

2.2.23 The Policy recognises the crucial and extensive role of women in the African culture and their important and necessary role in development. That aspect is being strengthened and, as OESU prepares social impact assessment procedures and work on gender and poverty alleviation continues, greater integration into project objectives and design will occur. In addition, it is anticipated that the development of a better working relationship with NGOs will strengthen the public participation component of the EA process and further emphasise the role of women in project design.

2.2.24 The important pivotal role of the NGO community of interfacing between local populations, governments and donors in the development process, is receiving greater recognition among aid agencies. The Environmental Policy recognises that, and directs the Bank Group to play a catalytic role in fostering NGO programming and RMC collaboration with the NGO community. The original policy paper on promoting co-operation between the Bank Group and the NGO community was passed in 1990, but the creation of the OESU saw the focus shift from a co-ordination role to the development of a proactive working relationship. The OESU has a full-time NGO Co-ordinator and the present policy document is being revised to broaden its target to civil society groups such as church groups, universities and a variety of other NGOs.

2.2.25 The Policy recognises that co-ordination and co-operation with IFIs and other international organisations is important and directs the Bank to broaden its co-ordination efforts and support for international action in environmental and natural resources management. Those issues are considered operational as discussed above, but noted here as in progress because of the on-going nature of the activity.

Institutional, Staffing and Financial Implications

2.2.26 The institutional and financial implications are the last items discussed in the Policy document, but from the standpoint of implementation the most important. Laudable progress has been made on implementing the Environmental Policy particularly since the reorganisation of 1994-95. Central to the program was recruitment and placement of staff. From two environmental specialists in the Central Projects Department in 1990, the environmental expertise at the Bank has expanded to 5 in the OESU and 5 in the regional Country Departments by 1998. The establishment of the Environment and Sustainable Development Unit in the office of the Vice President, Operations and the placement of an Environmental officer in each of the five regional Country Departments is complete, with the exception of environmental economists noted below. In addition, the OESU has a number of other specialists to service its mandate that encompasses other cross-cutting issues such as gender, poverty, population, NGO/Civil Societies and institutional development.

2.2.27 It is interesting to note two developments that have occurred since the Environment Policy was created that are beginning to increase the workload of OESU Environment staff. The small but growing portfolio of the Private Sector Department (OPSD) requires environmental backup and, as projects with important environmental considerations work their way through the project cycle, OPEV will require environmental expertise to evaluate those projects. Both of those departments presently rely on OESU but may, in the future, need their own Environmental Officers.

2.2.28 The importance of expanding economic analysis to include environmental factors is now recognised as an essential ingredient of advancing towards sustainable development and this is an area where the Bank needs to focus more attention. The Environmental Policy envisioned the placement of “environmentally trained economists in Country Departments to develop economic analyses for the environmental impacts of the Bank’s programs and projects”. This is the only major staffing aspect that has not yet been addressed and as a consequence accounts for all of those aspects of the Environment Policy in which no progress has been recorded (Table 1). It has influenced the examination of environment in country economic and sector work within the Bank. It has inhibited the Bank from taking the lead in “developing environmental economic analysis capability to value national capital (natural resources)” and, in “evaluating environmental impacts of price control and subsidy policies through economic analysis”.

2.2.29 The final entry in the 1990 Policy document related to financial implications. The document noted that the only ADB group resources available to RMCs for environmental assessment studies and country assessment work are those of the Technical Assistance Fund (TAF). It proceeded to outline why that was not a satisfactory source and proposed the Bank would allocate resources for environmental activities, which would cover:

- i. country assessment work (country programming and policy dialogue),
- ii. development of environmental action plans,
- iii. environmentally beneficial programmes and projects,
- iv. environmental analysis in the various stages of the project cycle,
- v. environmental training and education,
- vi. research studies,

- vii. institutional strengthening and,
- viii. aid co-ordination work at sub-regional and international levels.

2.2.30 As noted above, implementation of the policy is in the early stages for items related to aspects at the country programming level such as those concerned in items 1, 2, 3, 6 and 7. As activities increase in those areas, access to funds for implementation of environmental aspects of programmes by RMCs, and by environmental staff, will become more critical. The Bank should assess the needs of this and consider a means to make funds available for environmental officers for consulting services to assist them in servicing the growing environmental portfolio and to RMCs to provide assistance for capacity building in their environmental institutions. A number of options could be explored such as modifying the criteria for the TAF, creation of a special **Sustainable Development Fund** or “window” or access to the proposed Project Preparation Fund suggested in the Bank’s latest “vision” document. This is particularly critical for demonstration projects that may be too small to be financed as stand alone projects.

2.2.31 To finance a new lending instrument, that would support environmental management and programming, the Bank may consider approaching those donor countries with an interest

in that field, and propose that, during its initial stages, the Bank will match any commitments by the donor countries for a stated period of years, until the Bank takes over full financial responsibility for the fund.

2.2.32 A tally of the policy directives listed in Table 1 indicates that 40% are identified as “operational” with another 35% noted as “in progress” giving a total of 75% success. The Bank is to be commended on the progress it has made in implementation of the Environmental Policy to date. It is now positioned to begin the implementation of the final phase and extend support to its client constituents.

2.3 Recommendations

RECOMMENDATIONS RELATED TO POLICY IMPLEMENTATION

- The Bank should give top priority to implementing the second objective of the Environmental Policy of encouraging RMCs to make environment part of their national development planning by:
 - ✓ Encouraging greater participation of environmental staff in Country Strategy Papers,
 - ✓ Promoting environmentally beneficial projects and,
 - ✓ Supporting RMCs to develop and strengthen existing institutional and human resource capabilities to undertake environmentally sound management.
- Environment should be linked into the APPR, particularly Category 1 projects so that environmental audits can be conducted **selectively as part of** the environmental portfolio performance **review** as part of the APPR.
- The Bank should consider **engaging an** environmental economist (**as technical assistant**) for placement in OESU and the Country Departments. Environmental Economists are necessary to implement the remaining aspects of the Policy:
 - ✓ introduce environmental safeguards within Structural and Sectoral Adjustment lending;
 - ✓ evaluate environmental impacts of price control and subsidy policies;
 - ✓ influence RMCs to develop environmental economic analysis capability to value national capital (natural resources).
- The Bank should give top priority to increased funding, to provide environmental staff with consulting support to manage the environmental portfolio, and to RMCs for environmental project support and institutional capacity building.

Chapter 3

INSTITUTIONAL ASPECTS

3.1 The EA Process and the Project Cycle

Project Categorisation

3.1.1 A formalised process of categorising projects into four environmental categories was introduced with the adoption of the Environmental Policy. Initially a Category 4 was included as a category for projects with beneficial environmental impacts, but this proved to be unserviceable and was dropped from use.

The EA categories presently in use are:

Category 1: includes projects which may have significant adverse environmental impacts, and which require a detailed field review and an EIA study.

Category 2: covers projects with more limited and easily identifiable environmental impacts which may be mitigated relatively easily by applying specific measures or changes in the project design.

Category 3: includes projects that are not anticipated to have negative environmental impacts and for which environmental analysis is normally unnecessary.

3.1.2 The general guideline for categorisation is shown in Figure 1. OESU is responsible for categorising all projects in the lending programme. The ADB Operations Manual states that all projects will be sent to the OESU for categorisation once a Project Brief has been prepared. It was generally agreed by all staff interviewed during the preparation of this report, that the Project Brief stage is the earliest and best time to categorise a project, which means that data gathering for environmental aspects can move ahead in harmony with technical and economic data. Related to this is the amount of environment related information available in the Project Brief. There are occasions when the information raises more questions than it answers. Country Environmental Officers should be in a position to arrange to join project identification missions when the project appears as if it may fall into Category 1 to ensure that sufficient environmental data are collected to allow the Project Brief to be properly Categorised.

3.1.3 Often a number of studies will be conducted before a project is written up in the Project Brief. They are occasionally classified as Category 4, but the general trend now is to merely identify the study as “Study” without even a Category. The Review also found studies Categorised as 3 on the PALMS database. Many studies will eventually lead to projects entering the lending programme and the study begins the preparation of background and feasibility data. The study Category, as it is now defined, does not require the collection of any environmental data that may be associated with the project. This can easily lead to technical and economic analyses progressing far ahead of environmental analyses before the proposal is presented as a Project Brief where it would be Categorised. If at that stage it receives a Category 1 then the collection and analysis of environmental data are out of phase with the

Figure 1: Initial Environmental Examination Checklist

Category I

- ❑ **Agriculture and Rural Development:**
 - Reclamation and new land development
 - River-basin development
 - Large-scale irrigation and drainage
 - Commercial logging
 - Large-scale agriculture/mariculture
- ❑ **Industry and Infrastructure:**
 - Dams and hydropower
 - Mining (including oil and gas)
 - Large-scale industrial plants
 - Thermal power development
 - Manufacture and transportation of hazardous materials (e.g. pesticides)
 - Projects which pose serious accident risk
 - Large-scale urban water supply and sanitation
 - Large-scale power transmission
 - Oil and gas pipelines
 - Roads and railways construction
 - Ports, harbours and coastal structures
 - Airports
 - Large-scale tourism development

- ❑ **Environmentally Sensitive Areas:**
 - Coral reefs
 - Mangrove swamps
 - Small islands
 - Tropical rainforests
 - Areas with erosion-prone soils (e.g. mountain slopes)
 - Areas prone to desertification (arid and semi-arid zones)
 - Natural conservation areas
 - Wetlands of national or international importance
 - Areas which harbour protected and/or endangered species
 - Areas of particular scientific interest
 - Areas of particular historic or archaeological interest
 - Areas of importance to threatened ethnic groups

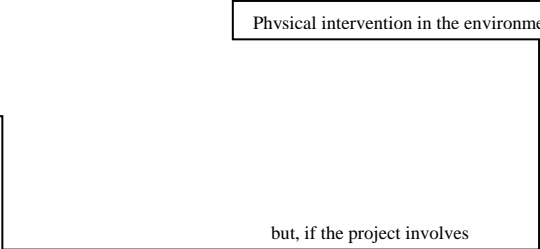
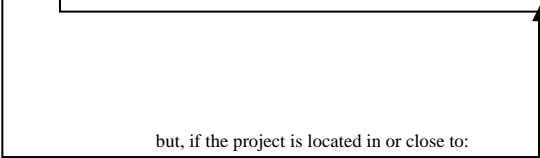
Category II

- ❑ **Agriculture and Rural Development:**
 - Reforestation/afforestation
 - Land and soil management
 - Small-scale irrigation and drainage
 - Small-scale aquaculture/mariculture
- ❑ **Industry and Infrastructure:**
 - Mini-hydro power development
 - Small-scale industry development
 - Small-scale power transmission
 - Renewable energy development
 - Telecommunication facilities
 - Rural water supply and sanitation
 - Public facilities (hospitals, schools, housing, etc.)
 - Small-scale tourism development
 - Road rehabilitation

Category III

- Institutional development
- Health programmes
- Family planning programmes
- Nutrition programmes
- Education programmes
- Environmental programmes

Physical intervention in the environment



technical and economic data. To avoid those situations, it may be useful to Categorise studies as S1, S2 or S3, as an indication to those drafting the TOR for the study, that it is likely to produce a project that could be Categorised as a 1 or 2, and that the collection of preliminary environmental data should be included in the study. That would also allow more accurate assessment for categorisation when the Project Brief is prepared.

3.1.4 Initially each of the Environmentalists in OESU was given a list of countries for which they were responsible for assigning Environmental Categories. With the staffing of the Country Environmental positions, those officers began to propose an Environmental Category on the Project Briefs that were forwarded to OESU for approval. To encourage consistency, the process has further evolved to a collective categorisation whereby the officers in OESU will discuss, and agree, among themselves and with the Country Environmental Officer, before the Project is Categorised.

Growth of the Portfolio

3.1.5 The number of projects receiving EA⁴ categorisation each year from 1992 to 1998 is shown in Table 2 and the accompanying chart. The table indicates that, in general, the number of projects entering the pipeline each year is about 150 of which approximately 13-24% are Category 1 projects. The years 1992 and 1997 saw an increase of about 23% in total projects above the norm while 1998 saw a decrease of about 31%. The large number of projects in 1992 could be a result of a surge of categorisations of new and older projects after the implementation of the Policy while similarly, the large number in 1997 could be a result of a backlog built up during the hiatus and reorganisation of 1995.

3.1.6 Table 2 indicates a couple of interesting points. First is the steady decrease, from 1992 to the present, in the number of projects placed in Category 3, falling from 37-46 % in 1992/93 to 8-14% in 1997/98. It also suggests that as the projects in Category 3 have declined, the number categorised as 2 has risen. Perhaps this represents a maturing of the process as staff gains more experience and confidence. The second observation tends to reinforce the first when one compares the categorisations in the same two years 1992 and 1997 bearing in mind that 1992 was early in the EA process. 1992 had 14% Category 1 and 37% Category 3 while 1997 had 22% Category 1 and only 8% Category 3. The increased number of Category 2 projects in Country Department portfolios carries with it an accompanying need to monitor and supervise this growing portfolio of environmental management plans.

3.1.7 Table 3 illustrates the number of Category 1 and 2 projects in the annual work programme of each of the five country departments during 1998. Lack of standardisation in the way country departments organise their data made it difficult to consistently generate the list of **on-going** projects back beyond 1998. It should be noted that the numbers depicted in Table 3 are of **on-going** projects and not just those projects categorised that year. The average life of a project from the time it enters the lending portfolio to its completion is about 5+ years, thus the environmental work load in any one year will include projects in various stages of development over at least a five year period. If we take 1998 as an example, OCDN has 24

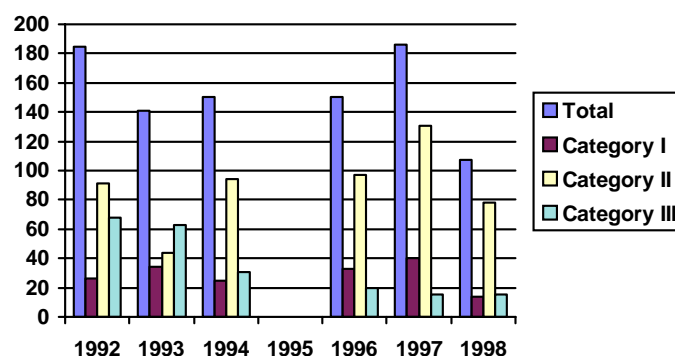
⁴ Note: Throughout the Review EA is used to refer to the Environmental Assessment process in the Bank's project cycle which includes the production of an EIA report. The use of EIA refers to the report itself or information arising from the EIA report.

TABLE 2

**EA Categorisation of Projects
1992 - 1998**

Year	Category 1	Category 2	Category 3	Total
1992	26 (14%)	91 (49%)	68 (37%)	185
1993	34 (24%)	44 (31%)	63 (46%)	141
1994	25 (17%)	94 (63%)	31 (20%)	150
1995	0	0	0	0
1996	33 (22%)	97 (65%)	20 (13%)	150
1997	40 (22%)	131 (70%)	15 (8%)	186
1998	14 (13%)	78 (73%)	15 (14%)	107
Totals	172	535	212	

**Above Data in Chart Form
Number of Projects Receiving EA Categorisation
1992 - 1998**



Category 1 and 25 Category 2 projects, or a total of 49 **on-going** projects with environmental components. Similarly OCDS has a total of 26, OCDE has 33, OCDW has 55, and OCDC has 55. As expected all of the Category 1 projects are in the Infrastructure and Agricultural sectors with the exception of one in Health and Education in OCDW. OCDN and OCDW have by far the largest number of Category 1 projects, 24 and 25 respectively making up 34% and 12% of their portfolios.

3.1.8 The large number of projects in Category 2 poses a growing problem. Taking a worst case scenario of one, five-day mission per year to initiate, implement, supervise, monitor, or evaluate each Category 1 and 2 project in a Country portfolio and the work load, coupled with the paper work at the office, becomes unmanageable. For example, using Table 3, take an average of 50 projects with an environmental component in a country portfolio times (x) one

5 day mission per year, means the CEO should be in the field for 250 days. As more emphasis is put on the development of environment-related projects and supervision/monitoring of the Environmental Portfolio, this must become a matter for concern. Future planning must consider increases in funding for missions and for operational staff consulting support.

3.1.9 A final point to consider in the discussion of the environmental portfolio is the Categorisation of Structural Adjustment Loans (SAL), Sectoral Adjustment Loans (SecAL) and Lines of Credit (LoC). For example, in 1998 OCDN had 6 Categorised as 1 or 2, OCDS had 3, OCDC had 2, OCDE had 1 and OCDW had 3. To date, only one of the above loans has been monitored on only one occasion from an environmental point of view. That is another area that will increase the workload of already over-burdened environmental staff.

EA Roles Within the Bank

3.1.10 The process of collective categorisation of projects is a valuable trend as it encourages a working relationship between OESU staff and the Country Environmental Officers. Country Environmental Officers are perhaps in a more difficult role than OESU staff because their responsibilities entail implementing the Environmental Policy with numerous professionals at the country department level while OESU staff, at the policy level, are less involved with the day to day operational decisions and debates. The study found that Country Environmental Officers sometimes felt isolated in trying to carry out their responsibilities with no back up support for promoting their day to day responsibilities and, at times in competition with OESU staff. This feeling is reinforced by their working environment.

- Some Task Managers still forward Project Briefs directly to OESU without advising, or involving, the Country Environmental Officer.
- Some Task Managers do not forward Project Briefs for categorisation until they are in the last stages of preparation for Appraisal. This results in last minute pressure on the Country Environmental Officer to have the project categorised so the Appraisal report can go to the Board as planned. There is particular pressure to avoid a Category 1, which will require an EIA and very likely delay, the project till the next year's programme. Examples of projects for which Appraisal Reports were being prepared for presentation to the Board for the current year lending programme, but had still not been categorised, were found in all of the Country Departments. Some of those projects qualified for Category 1.
- Country Environmental Officers are placed in various Divisions within the various Country Departments and thus report to Division Managers. It is not uncommon for them to be assigned tasks unrelated to their environmental responsibilities, or as Task Managers, which is a time demanding responsibility, diminishing the time available for environmental duties.

TABLES 3

**Comparison Showing the Mix of Environmental Categories
Between Sectors and Regions
Using the Inventory of Ongoing Projects for 1998**

Sectors	OCDN			Totals
	Category 1	Category 2	Category 3 & Others	
Economics	0	0	5	5
Agriculture	7	8*	4	19
Health & Ed	0	5*	9	14
Infrastructure	17*	12	4	33
Totals	24	25	22	71
% of Total	34%	35%	31%	

•includes SALs and Lines of Credit (6 in total)

Sectors	OCDS			Totals
	Category 1	Category 2	Category 3 & Others	
Economics	0	2*	3	5
Agriculture	2	6	21	29
Health & Ed.	0	3	22	25
Infrastructure	1	12**	44	57
Totals	3	23	90	116
% of Total	3%	20%	77%	

* SALs

** includes one Line of Credit

Sectors	OCDE			Total
	Category 1	Category 2	Category 3 & Others	
Economics	0	1*	11	12
Agriculture	0	10	35	45
Health & Ed	0	9	18	27
Infrastructure	2	11	45	58
Totals	2	31	109	142
% of Total	1%	22%	77%	

* institutional support for economic and financial management

Sectors	OCDC			Total
	Category 1	Category 2	Category 3 & Others	
Economics	0	4	4	8
Agriculture	1	19	25	45
Health & Ed	0	12	21	33
Infrastructure	4	15	23	42
Totals	5	50	73	128
% of Total	4%	39 %	57%	

Sectors	OCDW			Total
	Category 1	Category 2	Category 3 & Others	
Economics	0	2	21	23
Agriculture	6	12	51	69
Health & Ed.	1	10	46	57
Infrastructure	18	6	33	57
Totals	25	30	151	206
% of Total	12%	15%	73%	

* funds for promotion of the private sector. Borrowers for infrastructure projects supposed to submit EA first

- Some Task Managers may communicate directly with OESU requesting OESU participation in missions without the knowledge of the Country Environmental Officer.
- Priority at the Division level is to expedite projects which may put the Country Environmental Officer in a conflict situation with his senior officer if the environmental process is viewed as delaying a project.

3.1.11 The role of the Country Environmental Officers is easily interpreted as a Divisional staff member available to other divisions upon request, if it is determined necessary, rather than a professional responsible for implementing a specific Bank policy at the country programme level. The CEO currently lacks the necessary authority.

3.1.12 As noted elsewhere in this report the general objectives of the Environmental Policy statement are twofold:

- i. incorporate environmental considerations into project design and implementation and,
- ii. support RMCs in making environment an integral part of national planning and, strengthening environmental institutions and human resource capabilities.

3.1.13 The first objective addresses internal operations of the Bank at the policy level and, to a large extent, is well on the way to completion. This could be considered as Phase 1. As noted above, in the policy review, many aspects of Objective 2 have not yet been energetically pursued. Let us consider that as Phase 2 of the policy implementation. It is phase 2 where focus and effort must now be concentrated to prepare RMCs to become willing and able to accept responsibility for the implementation and operation of the sustainably designed projects that Phase 1 was set up to produce. For Phase 2 to be effective the role and responsibilities of the Country Environmental Officers should be strengthened and clarified. This will help resolve the above issues and position them to implement the Phase 2 objective. They need the necessary authority to carry out their responsibility for country-related environmental aspects. They should provide the official liaison and conduit for paper flow and requests for professional backup and assistance between the Country Department and OESU.

3.1.14 Country Environmental Officers are responsible for environmental aspects of the country departments' programmes. In order for them to have an overview of the entire country programme, they could be allowed to participate in the weekly Departmental Management Team meetings, and be readily available to any of the Division Managers and staff. With an overview of the Country Department programme, gained from the weekly meetings, they will be in a position to be more proactive in planning their work programme and identifying missions in which they should participate. The meetings will also provide them with the opportunity to keep the Directors informed of the progress and status of the country environmental programme.

3.2 Other Process Issues

3.2.1 The Environmental Policy stated that "environmentally trained economists placed in Country Programme Departments will develop economic analyses of the environmental impacts of Bank's programmes and projects". That is one of the few areas of the Policy that has yet to be acted upon. Environmental economics is a relatively new field, but an essential aspect of environment that will help to illuminate the short and long term costs of ecological changes resulting from various options with differing ecological effects. The Policy notes a number of areas of intervention:

- introduce environmental safeguards within Structural and Sectoral adjustment policy and reform tools;
- evaluate environmental impacts of price control and subsidy policies;
- influence RMCs to develop environmental economic analysis capability to value national capital (natural resources) and,
- assess environmental impacts of Structural and Sectoral Adjustment loans.

3.2.2 The precise role environmental economists would play and their positioning within the Bank structure needs to be further defined. This is a small item but, should be resolved as a

priority for inclusion in the Bank's Organisation Study. Perhaps as a first step, the Bank should consider a Technical Assistant position through one of the bilateral funds to examine the work required, draw up terms of reference with an implementation plan for integrating environmental economics into project and programme operations.

3.2.3 OESU is presently examining the subjects of building a stronger working relationship with NGOs and, how to integrate social impact assessment issues into project development and implementation. Environmental Assessment procedures have attempted to interact with both of those fields, largely during a public participation phase, by identifying and describing ecological implications of development activities and their effect on human conditions. In the conduct of an EIA, terms of reference generally call for consulting firms to carry out public participation meetings at strategic points in the process, but often local cultural sensitivities and practices may not be understood, or appreciated by outside consultants. That makes it difficult to fully understand the impacts of development on local populations. Local language may also be a constraint. Thus the public participation aspect is an ideal and logical place for EIA, social impact assessment (SIA) and local NGOs to come together. Local NGOs working with EIA consultants, probably in a sub-consulting role, could facilitate the input of social aspects and local concerns into the public participation process. An inventory and assessment of country NGO interests and capabilities, may be a valuable asset for EIA consultants, particularly in looking for local partners for bidding on projects.

3.3 Project Environmental Data Storage and Management

3.3.1 The Project And Loans Management System database (PALMS) is the main repository of all the information related to projects in the Bank's lending programme. Projects are entered on the PALMS database at the Initial Project Brief stage and statistical information is added to an expanding spreadsheet throughout the life of the project. The EA Category assigned to projects is also added to the spreadsheet. Each of the Country Departments tends to extract information, from the PALMS spreadsheet, on their Country Department portfolios and organise it in a manner that suits their specific programming needs. In all cases the Environmental Category to which a project was assigned was not included in the Country Department data sheets, (with one exception where a CEO had added it to his computer database).

3.3.2 To examine the environmental aspects of a Country Department lending programme for any year, it was necessary to go back to the PALMS database and try to relate the project names to the EA category. However, PALMS includes the entire, historic list of projects in the Bank's portfolio, and it was impossible to extract the list of active projects for any particular year to relate to the list produced by the Country Department. In addition, the project list in PALMS is not always kept up to date, so many of the projects are complete, but still considered active on the database. It is necessary to go through the entire PALMS database searching for individual projects, and then find the EA Category. Perhaps the lack of EA information on the Country Department database is a symptom of the importance accorded to the environmental aspects of a project at the operations level. In any case, it would be a simple matter to add a narrow column to each of the Country Department databases to show the EA Category for each project. That would be useful for future reviews of the environmental portfolio. The lack of regular updating also reduces the general usefulness of the PALMS system for historical analyses.

3.3.3 There is a need for a comprehensive database on the environment where information on Category 1 and 2 projects is readily and accurately available. Software for an Environmental Tracking System was developed for the OESU Environmental Resource

Centre, but it needs to be re-examined and perhaps modified to be completely functional. It could be used by the Country and OESU Environmental Officers to list the Bank's portfolio of Category 1 and 2 projects and track the progress of preparation and implementation of the Environmental Management Plans. As noted above, it is difficult to gather and validate environmental data on the PALMS system and, considering the growing size and importance of the environmental portfolio, an Environmental Tracking system would be useful. The system, lodged in the Environmental Resource Centre and linked to all the Environmental Officers computers, could include:

- ✓ the project name, Task Manager, and other pertinent statistical data,
- ✓ history of environmental missions (back to office reports),
- ✓ TOR and EIA (electronic file),
- ✓ maps of the project area,
- ✓ the Environmental Management Plan and,
- ✓ implementation progress.

3.3.4 It could be used by the Environmental Officers concerned with the project, as a guide and tracking device in preparing for monitoring and supervision missions, but most importantly, it could provide a comprehensive and up-to-date data base of the Bank's environmental portfolio. However, like all such databases, it would depend on the individual officers maintaining up-to-date records.

3.4 EA Capacity Building

3.4.1 The importance of environment in project design has come a long way since the Bank adopted its policy in 1990. The review has noted the transition in the prominence environment plays in the lending policies in ADF-VIII verses the meagre description in ADF-VI. During the implementation of the Policy a major training exercise was carried out in 1996/97 throughout the Bank, to sensitise operational and management staff to the significance of environmental issues in project design. Considerable time has elapsed between the initial information and training exercise, and the now prominent role of environment in ADF VIII. Perhaps the time has come for another refresher to bring staff to the same stage of thinking to which the Board has advanced. Any refresher training and information exercise should consider the dual purpose of internal awareness building and advising the RMCs of the Bank's interest in capacity building in this field.

3.5 Recommendations

RECOMMENDATIONS RELATED TO INSTITUTIONAL ASPECTS

- OESU should consider categorising studies as S1, S2, or S3 as a guide to those preparing the TOR for the study, that an S1 or S2 should include the collection of preliminary environmental data as part of the study. That would allow more accurate Categorisation for the Project Brief and help integrate environmental data into project preparation.
- Country Departments should be encouraged to add the project EA Category to their active country programme database.
- OESU should consider establishing a computerised Environmental Tracking System in the Environmental Resource Centre to collect data and track implementation of environmental aspects of the Bank's Category 1 and 2 projects.
- The Bank needs to consider increased budget allocations for environmental staff field requirements, and environmental consulting support services, at the Country Operations level.
- Clarification of the responsibilities and role of CEOs, harmonisation of their job descriptions and giving them the appropriate authority. **This should be done in the context of the organisational study soon to be initiated in the Bank.**
- As a first step in introducing environmental economics, the Bank should consider a Technical Assistant to OESU through bilateral aid. The TA would examine the areas for intervention, develop operational procedures, draw up job descriptions and prepare an implementation strategy for integrating environmental economics into project and programme activities.
- OESU should encourage EIA consultants to interface with local NGOs during the preparation and operation of the public consultation phase of the EIA to facilitate the integration of local views and aspirations.
- OESU should consider a refresher round of workshops, at the country operation and RMC level, on environment as a project-planning tool, its role in contributing to sustainable development, and means of strengthening RMC capabilities, in the development and design of Bank programmes and projects. Target groups for the workshops should include Task Managers and RMC environmental agencies involved in Category 1 and 2 projects.

Chapter 4

Quality of Environmental Impact Assessment

4.1 Assessing EA Quality

The implementation of the Environment Policy is centred on the EIA process and thus, the quality of the EIAs conducted on the Bank's projects is primary to the satisfactory implementation of the policy. There are numerous ways in which EIAs may be evaluated. However, for the purpose of this analysis, the most important is the quality of the various aspects of the EA process, such as identifying the effects of a project on the environment, exploring alternatives, assessing the impacts, identifying mitigation measures and building them into the project design with a management plan. In addition, involving the public in the assessment and decision making process and establishing a monitoring procedure to ensure that the environmental management plan is implemented, are integral parts of the EIA process. A sample of EIAs was selected for analysis.

4.2 The Sample Selection

4.2.1 Fifteen (15) Category 1 projects were selected after discussions with each of the Country Environmental Officers. The reports were reviewed following the methodology used by the World Bank in their second environmental assessment review (World Bank 1996). For each report the main components of EIA, noted above, was rated as "inadequate, adequate, good or excellent" according to the criteria described under Table 4. The quality of the EAs was based on the accuracy and comprehensiveness of the impact predictions i.e. immediate, long term, local, regional, the assessment of alternatives and the comprehensiveness of the consultation process. The mitigation, monitoring and management plans were assessed on their appropriateness, inclusion of quality standards or criteria, time frame, responsible agencies and costs. A conscious effort was made to get examples from each of the five regional country departments that provided a good geographical picture and sample of the types of projects undertaken. The sample was also influenced by what EIA reports each of the officers had available. The sample, listed in Appendix 2 represents the following geographical distribution, and time span.

Algeria	1	irrigation	(1994)	Mauritania	1	irrigation	(1997)
Eritrea	1	livestock	(1997)	Swaziland	1	road	(1997)
Gabon	2	roads	(1997, 1998)	Tanzania	2	road	(1997)
Kenya	2	road,	(1995)			sugar estate	(1997)
		National Park	(1997)	Uganda	1	water transport	(1997)
Lesotho	1	water supply	(1997)	Zimbabwe	2	irrigation	(1996)
Morocco	1	water supply	(1989)			road	(1997)

4.2.2 All of the projects in Category 1 to date have been in the Infrastructure and Agricultural sectors (Table 3). The sample reflects that distribution. There have been 172 projects categorised as "1" during the period 1992-1998 (Table 2) thus the fifteen EIAs represent about a 9% sample. A larger sample would have been preferable but time was a significant factor in going through the reports. It should perhaps be noted that the methodology as used by the World Bank for this type of exercise involved the World Bank environmental staff in the evaluation of the EIA reports. In this case, time and work constraints did not allow the ADB staff to participate. Thus any errors or misinterpretations

are the responsibility of the consultant. The advantage is that there should be no problems with consistency. In spite of the apparent inadequacies there are a number of observations that may be drawn.

4.2.3 Finally it should be reiterated that the following results are from a desk analysis of EIA reports and do not necessarily reflect the quality of implementation of the environmental concerns. The original plans for this study envisioned field visits to a number of Category 1 projects to evaluate the quality of implementation of the issues raised in the EIAs. That point was also raised during the critical review of the draft report. Time and other factors did not allow for field visits to be incorporated in this study. However, OESU is preparing TOR for the revision of the Bank's Multi-sectoral Environmental Guidelines and, for the revision of the Environmental Policy paper. It may be useful to consider integrating a field review of the implementation of EIAs into those studies as background information and as a follow-up to this Review.

4.3 Results of the Analysis

4.3.1 The results of the analysis are shown in Table 4. It is very likely that the size of the sample influenced the distribution of the numbers, which resulted in the zero percentages in the "good" column. With a larger sample it is likely that the numbers in the "good" columns would be more representative.

Identification and Assessment of Impacts

4.3.2 The majority of the contractors (67%) rated "Good" or "Excellent" in identifying and assessing the environmental impacts associated with the projects. In those cases that were rated as inadequate the consultant failed to identify or discuss an important potential impact associated with the project. In each of those cases other aspects of the report were also judged inadequate leading to the conclusion that the consulting firms were not doing their job properly. **The corresponding percentage in the case of the World Bank's evaluation for the fiscal year 93-96 was 86%.**

4.3.3 None of the EIAs reviewed tried to quantify the impacts in economic terms. That is still a common lack in the EA field but, perhaps something the Bank will be able to address when environmental economists are brought on staff. Such analyses would be particularly valuable in the process of assessing alternatives.

Analysis of alternatives

4.3.4 A large percentage (60%) of the sample was judged as "inadequate" in identifying or considering alternatives. **The corresponding percentage in the case of the World Bank's evaluation for the fiscal year 93-96 was 21%.** There may be a variety of reasons why this component is so high. A number of the projects involved the rehabilitation of existing roads where there was no need, or intention, of realignment and hence the consideration of alternatives may not have been included in the terms of reference. It should be noted that it was not possible to view the TOR for the projects in the sample, so in all cases it was assumed that a standard TOR, containing requirements for all the considered elements of an EA, existed for

TABLE 4

EA Quality of a Sample of Category I Projects

(Ratings in percentages. The matrix shows the percentage of projects at different levels of quality for various components of EA. For example, 27 percent of all rated projects had “good” impact assessments.)

EA COMPONENTS	RATINGS in %			
	Inadequate	Adequate	Good	Excellent
Impact Assessment	20	13	27	40
Alternatives	60	20	0	20
Public Consultation	47	33	0	20
Mitigation Plan	13	33	20	33
Monitoring Plan	40	27	6	27
Management Plan	53	13	13	20

The following criteria used in Table 4 are adapted from the World Bank’s experience published in *The Impact of Environmental Assessment, The World Bank’s Experience, Second Environmental Assessment Review*; Environment Department, World Bank, Washington DC, 1996.

- **Excellent:** EA work exceeds that required by the EA Guidelines (1992) and is comparable to the best international work in the most advanced countries. For example, if the impacts section for a large hydro-electric power project includes a state-of-the-art analysis of cumulative and indirect impacts in addition to a full treatment of the direct project impacts, the rating on this issue is “excellent”.
- **Good:** EA work fully meets the requirements of the EA Guidelines. For example, if broad public consultation has been conducted at least at the scoping and draft EA stages, rating on this issue is “good”.
- **Adequate:** EA work barely meets the requirements of the EA Guidelines. For example, if the mitigation plan presented in the EA is more or less comprehensive in terms of addressing the potential impacts but, is unclear about certain responsibilities, the rating on this issue is “adequate”.
- **Inadequate:** EA work does not meet the minimum requirements of the EA Guidelines. For example, if there is no analysis of alternatives, the rating on that issue is “inadequate”.

all the projects. In the case of two road rehabilitation projects alternative alignments were offered, and considered for sections of the road but, in both cases the existing alignment was judged the least destructive from the environmental and social points of view. In the case of the rehabilitation of the sugar factory in Tanzania the only alternatives would have been to do nothing or remove the factory entirely, for which an economic analysis would have been more appropriate. In two other cases reviewed the EIA did an excellent job of identifying alternative approaches to the project resulting in significant changes to the project design.

4.3.5 EIA is generally viewed by most managers more as an evaluation tool rather than a planning tool, and both managers and practitioners often employ it more to evaluate the effects of a project that is considered to be a positive development in its own right. The concept of alternatives is often considered to be a yes or no situation, rather than considering ways to improve on the project, which may only be minor additions or changes in the design or approach. It is an aspect of EIA which perhaps has not been used to its full advantage by practitioners and may be useful to keep in mind, depending on the project, when preparing TOR for EIAs. There is, however, an inherent danger in this approach that takes a tool for assessing environmental considerations and expands it into an entire planning process. Some practitioners advocate:

“the systematic comparison of the proposed investment design, site, technology, and operational alternatives in terms of their potential environmental impacts, capital and recurrent costs, suitability under local conditions, and institutional, training and monitoring requirements. For each alternative the environmental costs and benefits should be quantified to the extent possible, economic values should be attached where feasible “(World Bank, 1995a)

4.3.6 The analysis of alternatives is an inherent problem with the EA practice. In the review of the EIAs done at the World Bank (1996), they advanced the following reasons for the difficulties in assessing alternatives:

- i. Many projects do not propose alternatives. In such cases consultants may only address a project/no project alternative.
- ii. Timing may be a problem. Often major design or locational decisions have been made by the time an EA is called.
- iii. Analysis of alternatives can be politically sensitive when choice of technology, location, design features etc. are discussed.
- iv. Many borrowers do not call for an analysis of alternatives. EA is still viewed as an assessment of negative aspects not as a planning tool.
- v. A serious analysis of alternatives, including economic analysis of economic costs and benefits, requires specialised skills that many countries and consulting firms do not yet have.

Public Consultation

4.3.7 Public consultation is another aspect that scored low (**47%**) on the scale. **In contrast, the corresponding figure for the World Bank’s evaluation was only 14%.** It is desirable that consultation with affected groups take place on, at least, two occasions during the EA process: during the scoping stage and during the EA preparation. Scoping for Category 1 projects should be done shortly after the EA Category has been assigned, i.e. during the identification stage. It is used to discuss the major ecological and social issues related to the project and identify where major changes are likely to occur. In fact, the Operations Manual (draft, August/98 - OM 400 p.2 of 4, para. 6, bullet 2) describes the process clearly. Scoping

is essential for two reasons: first it will provide further information to confirm the EA category, or justify a change and secondly, it will assist in preparing appropriate TOR. There was nothing in any of the EIAs examined that suggested that any public consultation had taken place at an earlier scoping stage, with perhaps the exception of the Lesotho Highlands Water Project which built on experience gained during Phase 1A to design Phase 1B (see Appendix 3). Project scoping needs to become a regular process at the country department level and should be conducted for both Category 1 and 2 projects. In the case of Category 2 projects it will provide the Country Environmental Officer with sufficient information to prepare the project environmental management plan.

4.3.8 In the case of the sample of projects reviewed the low score for public consultation may have been influenced by the same factors that influenced the exploration of alternatives i.e. the high number of road rehabilitation projects in the sample that followed the original alignment. It is often the case in such circumstances that the inhabitants are so pleased to finally have the road repaired that any discussion about the project is guaranteed to elicit favourable responses. Also in the case of road rehabilitation considerable economic investment has frequently been made along the existing alignment and to consider alternatives, for example, could be a disaster for some businesses. It should be noted that in the projects where alternative alignments were part of the road proposal, public consultation was rated as “good” to “excellent”, but did not result in any changes in alignment.

4.3.9 Public consultation is an important part of the EIA process particularly where resettlement is a part of the project. The ADB is presently pursuing closer working relationships with NGOs and the development of a social impact assessment process that will facilitate addressing that issue more comprehensively. The scoping stage is the logical place for the environmental specialist and the Social Impact specialist to visit the field together to gather background information and discuss the project with local stakeholders. The public consultation process of EA is a logical place where issues arising from Social Impact Analysis (SIA) will come together with issues arising from the ecological effects. Through the SIA and working with local NGOs vital questions such as: who are the relevant stakeholders, what are the main views of the local population towards the proposed project, and what are the customary processes of discussion and decision making will be identified.

Mitigation, Monitoring and Management Plans

4.3.10 The preparation of mitigation measures was carried out reasonably well with only 13% judged as “inadequate” **compared to the World Bank’s 2%**. However, quite a large percentage was catalogued as only “adequate” (33%). That was largely because the mitigation measures were incomplete i.e. did not identify a timetable, responsible agency, criteria or standards for monitoring, in short, did not gather the mitigation requirements into a specific plan of operation.

4.3.11 Perhaps the most significant observation that may be drawn from Table 4 is the high percentage of studies (**40 to 53%**) that produced “inadequate” monitoring and management plans. **This compared to the World Bank’s percentage of about 8%**. This again may be an historical reflection of the evolution of EIA where the stress was on identification of impacts and ways of mitigating their effects. However, from the Bank’s point of view the priority is to have the mitigation and monitoring programme implemented, and for that it is necessary to have clear actions that can be translated into loan agreements and bidding documents. There is a pressing need to develop the Environmental Management Plan as a clear, stand-alone document, encompassing the mitigation and monitoring programmes. The implementation of that document can then be simply referred to as one of the loan conditions in the loan

agreement with the knowledge that all the necessary actions are included for the implementation stage. It should also be referred to in the TOR for implementing agencies and be included in contract agreements.

4.3.12 As experience is gained by the Bank in having management plans prepared for inclusion as part of loan agreements, their content and format will evolve. As a basis, the Environmental Management Plan should include the following components:

- compensatory and mitigation measures to be taken during implementation and operation to eliminate, offset, or reduce adverse environmental impacts;
- identify estimates for capital and recurrent costs for mitigation;
- institutional strengthening and training with time schedule and budget;
- monitoring requirements including the identification of indicators where possible. The Plan will specify the type of monitoring to be carried out, standards or baseline data where applicable, how and when it should be done and the expected cost.
- details on proposed work programmes and schedules to help ensure that the proposed environmental actions are in phase with construction and other project activities;
- identify responsible agencies where appropriate, for each action included in the Plan.

The Management Plan thus becomes a very important output from an EIA that can be carried forward into implementation.

4.4 An Environmental Planning Process

4.4.1 There may be another approach to begin to address some of the above points, and perhaps, some of the issues that have been raised in the Review concerning the institutionalisation of EIA within the Bank.

4.4.2 A number of points have arisen from the Review that raise the question whether the Bank should consider a slight departure from the common EIA terminology and approach, to make it more acceptable to the Bank's procedures, and perhaps the RMCs. Briefly, the factors that raise that question are:

- the tendency by many managers to view EIA as an instrument that raises negative issues about projects, i.e. listing of "negative impacts" vs. positive impacts. The EIA presents the negative impacts, the project the positive attributes;
- a process that is added on to the project cycle with possible time delays, (and negative connotations) particularly in the case of Category 1 projects;
- the difficulties of inserting EA into the project cycle at an early stage;
- the inadequate use of exploring alternatives;
- the inadequate use of public participation in the EIA process;
- the infrequent use of scoping;
- the inadequate preparation of management plans at the end of EIA investigations;
- the future capabilities of the Bank in analysing the environmental economic aspects of project components as environmental economists are brought on staff.

4.4.3 The project cycle used by the Bank - country strategy paper, project brief, project identification, preparation etc.- is a planning process. However, the Bank is trying to introduce new tools (EIA, SIA, public participation, other cross-cutting issues, sustainable

development) into an established process and they do not always fit well. In addition, the additions are not always readily accepted by the operational staff, making implementation of the changes more difficult. Short of revising the Bank's project cycle to incorporate new tools and concepts, which is not within the terms of reference of this report, let us look at the EIA process to see if it can be put into a more positive framework, and meld better into the existing planning cycle.

4.4.4 While maintaining the same basic concepts of EA, the procedures and nomenclature could be adapted to the Bank's requirements to address some of the points listed above. First, if the process is regarded as an Environmental Planning (EP) procedure with the purpose of preparing an Environmental Management Plan for projects, it would impart a more positive interpretation than an impact assessment looking for negative aspects of the project that need to be mitigated. In the revised approach, Categorisation would place the project into an Environmental Planning Category 1, 2, or 3. The present categorisation criteria and process will still apply, but there is a subtle more positive purpose. The Environmental Planning category identifies what information is required to prepare the Environmental Management Plan for the project and, would be a good entry point for introducing social cross-cutting issues of gender, poverty etc.

4.4.5 In the case of Category 1 and selected Category 2 projects, the Environmental Planning process would be launched at the project Identification stage when the Project Brief is categorised. In fact, the draft Operations Manual (June, 1999), presently under review, notes very clearly during Project Identification (OM 400. p.2 of 4 para. 6) that the team must pay attention to ... "meetings with beneficiaries and stakeholders, listening to their needs and views"...and ... "identify potential environmental and social issues"... It goes on to note that the team must "provide advice ...what is feasible or not feasible"... The latter could easily be a brief exploration of alternatives by the Bank team. Thus the Environmental Planning process would initiate the early involvement of environmental and social expertise in the project cycle for Category 1 projects, and early public participation in the project. Resulting from that, a brief discussion of possible alternative approaches could be explored with input from the Bank's environmental economic staff during the project identification stages. An Environmental Planning philosophy for project preparation would help to institute a team approach or a more holistic approach to project development, which would be in line with the Bank's Vision document prepared by OPVP (ADB, 1998b, paras. 4.4 & 5.7).

4.4.6 Those two early stages of EP would put the Country Environmental Officer in a better position to prepare the TOR for the EA. The TOR should be written in such a way that an environmental management plan for the project is clearly the end result, and the EIA is the process used to prepare it. The changes to the existing process are almost insignificant but, the change in approach may foster a more willing acceptance at the RMC level and, it may make it easier to insert other steps in the planning process as the Bank's capabilities increase. Thus as part of future contributions to the environmental planning process the Bank could introduce environmental economic analyses of projects and programmes, Sector Environmental planning or Regional Environmental planning.

4.5 The Risk Factor

4.5.1 An additional aspect of implementation that became evident during the review relates to the ability and willingness of the host country to implement mitigation measures. It is often possible to mitigate certain adverse effects of development activities and such procedures are advanced in many cases, to the point where, theoretically, all the problems can be mitigated. For example, new roads associated with some developments provide new access to

undeveloped areas. That generally attracts new settlers which can be mitigated by strict land controls and restriction of access etc. In practice restricted access and land use controls are never enforced. Similar comments may be made for controlling woodcutting for charcoal where development schemes stimulate in-migration or better access. In such cases the Environmental Summary prepared for the Board will note that all the environmental problems can be mitigated leading the Board to believe the EIA has rendered the project more sustainable when, in fact many of the mitigation measures will never be implemented. It is proposed that each Environmental Summary include a **Risk Factor**, perhaps on a scale of 1-3, advising the Board of the inherent difficulties of implementation. Some of the criteria used in assessing the Risk Factor may relate to existing relevant legislation with attendant regulations, existing authority for enforcement, capability and capacity of existing organisations, past record in similar circumstances, related environmental legislation and regulations, effect of logistics, political will, etc.

4.5.2 The Risk Factor could have two benefits. First, it will alert the Board to the fact that even though the EIA has assured them that all the environmental aspects could be mitigated, there is still a considerable risk that the sustainability of the project could be in jeopardy. Secondly, it may encourage the Board to include additional funding to assist, or strengthen, the RMC environmental institutions to better meet their responsibilities. Such additional funding could be made available through the Sustainable Development Fund proposed earlier or other funding mechanisms. It is recognised that risks and assumptions are summarised in table form in the Appraisal report, but by making it a part of the EIA summary it is brought to the Board's attention more forcefully. The risks should also be summarised in the Appraisal report.

4.6 Recommendations

RECOMMENDATIONS RELATED TO EIA QUALITY

- In preparing TOR for EIAs the Bank should put particular emphasis on the preparation of a "stand-alone" Environmental Management Plan as an outcome of the study. The Environmental Management Plan should generally contain the following elements: mitigation measures, schedule of implementation, responsible agency, budget, monitoring plan, schedule of implementation, responsible agency, budget, training, other institutional strengthening measures.
- The Bank should consider the modification of the EA procedure into an Environmental Planning Process that will integrate ecological, social and environmental economic expertise into all stages of the Bank's existing project cycle.
- OESU should consider the development of a "Risk Factor" to be part of the EA Summary submitted to the Board.

Chapter 5

Influence of EA in Project Preparation

5.1 General

5.1.1 Environmental assessment is the central process that the Bank has instituted to move towards its goal of sustainable development. In that case, the effectiveness of EA depends on its contribution to the design and implementation of projects and programmes. EA has an opportunity to contribute to projects at various stages: at the screening stage, through its field analysis of ecological and social changes, and in the translation of those findings into project implementation documents and agreements. The final stages of EA then depend on the ability and willingness of the host country to effectively implement the mitigation measures, but more importantly, to maintain their operational effectiveness. The first half of the process is under the direct control of the Bank whereas the final stages can only be influenced by the Bank's extension of its environmental goals and principles to the RMC governments.

5.2 Influence of Screening

5.2.1 One of the primary necessities of EA is to participate in the project in as early a stage as possible. The initial screening advises the Task Manager of potential environmental effects of the proposed project and thus the type of information that will have to be gathered in the early stages of project preparation. The two primary difficulties associated with screening that became evident in discussions with environmental officers were the lack of sufficient on-site information sometimes available to adequately assess the Category of the proposal and, the time in the project cycle that the Project Brief is presented for categorisation.

5.2.2 The lack of adequate information in the early stages is perhaps understandable but there are times when a field visit to the site would be advisable. The Country Environmental Officer should be in a position to be aware of new projects under consideration so that he/she may contact the Task Managers to arrange to accompany them on early missions to assess the proposed projects. Early familiarity with the on-site conditions of the project will also assist in scoping or focusing the TOR for Category 1 EIAs and for addressing mitigation and monitoring programmes for Category 2 projects.

5.2.3 The need for adequate information at the early stages to accurately assign a project to an environmental category is particularly critical when the Bank is participating with other donors in financing the project. In such cases it is essential that Bank staff have as much information as possible to justify their categorisation in case the other lending institutions categorise the project at a different level. The situation can arise where one institution may categorise a project at a higher level than others in the lending group thus requiring more information to satisfy their EA process that would tend to slow down or disrupt the cash flow. Under such conditions, it is essential that environmental staff have sufficient information to satisfactorily justify the Bank's categorisation.

5.2.4 The time the Project Brief is submitted for categorisation is critical to the integration of environmental information into the project cycle. The project should be categorised at the time the Project Brief is prepared, but that does not always happen. OESU often receives a list of projects at the beginning of the year with a request for categorisation of projects entering

the lending programme. The projects are often at various stages of preparation. This review found that there were still projects in the country departments that would come to the “first year” of the 3-year lending programme i.e. to be prepared for presentation to the Board in that year, that had not yet been assigned to an environmental category. In some cases the projects qualified for Category 1. Under those circumstances Country Environmental Officers are often put under considerable pressure to have the project categorised as a 2. Such situations must be avoided. That practice can be remedied by identifying specific “signing off” points early in the project cycle, or inserting OESU into the project cycle so that the Project Brief must go through OESU for Categorisation before reaching the CD Director for final approval.

5.2.5 The first option would be to have the Division Manager responsible for sending the Project Brief to the Country Environmental Officer who forwards it to OESU. From there it is OESU who forwards it to the CD Director for entry into the Project Pipeline. That process inserts OESU directly into the project cycle as the doorway for project entry to the pipeline.

5.2.6 The second, and preferred, option would be to have the Task Manager responsible for obtaining the EA Categorisation before he forwards it to the Division Manager for approval, and onward transmission to the CD Director for entry into the Pipeline. This option has OESU outside the project cycle and leaves the responsibility for obtaining Categorisation with the Country Department staff. This process would have the Division Manager as the checkpoint to verify whether the project has an EA Category, and the CD Director as a final check.

5.2.7 The ADB Operations Manual is presently being revised and offers a logical point for assuring a project proposal is categorised in its earliest stage. Referring to the draft Operations Manual (June, 1999) OM 340 page 2 of 4 notes that the Task Manager must assure himself that a proposal meets the stated four criteria on page 2 before he prepares the Initial Project Brief. Criterion “c”, in that list of criteria, is that the proposed project “makes sense from a conceptual, technical and environmental point of view”.

5.2.8 For option two above, the Task Manager is responsible for sending the Initial Project Brief to OESU to have the project assigned to an environmental category. Thus before the Project Brief goes to the Division Manager for onward transmission to the CD Director for approval and entry into the Bank’s Project Pipeline it must have an environmental category assigned. The Division Manager acts as the check in the system that the project has been categorised. Such a process would also help to involve country departments by making them responsible for ensuring that certain aspects of the policy are implemented. The latest draft of the Operations Manual (June 1999) has already incorporated this proposed process.

5.2.9 There is also a need for some written justification and record as to why a project was assigned a particular environmental category. There is provision in the Environmental Assessment Guidelines (ADB, 1992) for the preparation of an Initial Environmental Examination (IEE) sheet (Appendix 4) but, that record was apparently never mandatory and has fallen into disuse. An “Environmental Category Justification” sheet is often attached to Appraisal Reports for Category 2 projects (Appendix 4). A form, based on the ideas set out in those two forms, should be devised and be made mandatory for all categorisation by all the Country Environmental Officers. Uniformity among the Country Departments is important. The form should be standardised and submitted to OESU with an attached note with the CE Officer’s recommendation. There should be a place on the form for the categorisation assigned by OESU and that form should be attached to the Project Brief when it goes to the CD Director for him to sign off. The justification sheet becomes an integral part of the Project Brief.

5.2.10 If OESU assigned a category other than the one recommended by the CE Officer then that new form would be attached to the Project Brief and the original Justification sheet destroyed. If, during preparation, the project is altered significantly enough to warrant a change in its EA Category, a new form should be prepared and resubmitted to OESU. In that case the two forms remain as part of the Project Brief as a record of events. There are also occasions when there is insufficient information at the Project Brief stage to satisfactorily categorise the project. In those cases categorisation often errs on the side of safety and the higher category is assigned. At that point the CE Officer would assist the Task Manager and normally try to visit the project site as soon as convenient to verify the Category. If the category is changed then that record also, with the justification, should be attached to the project documentation.

5.3 Influence of EA on Project Design

5.3.1 EIA can be a useful tool in assessing and helping to define options and design criteria for projects while in the process making them more ecologically sustainable. However, the process is most often viewed simply as assessing the impacts of a predetermined project design on the environment. Generally the latter was found to be the case with the EIAs commissioned by the Bank. There were, however, some encouraging developments where well conducted EIAs and timely initiatives by Bank environmental staff had significant influence on project design. A good example is the Aberdares Natural Resources Development Project in Kenya. In that case the original project design called for an electric game fence to encircle the Protected Area as one of the main components of the project. The EIA concluded that the fence was of doubtful effectiveness in some areas, very expensive to install and maintain, and not required in other areas. In addition it would cut elephants off from their traditional migration routes where there was still no major wildlife/human conflict. In a detailed management plan the EIA recommended many other operational and design changes that were introduced into the project resulting in it being recategorised from a Category 1 to a 2. The changes also reduced the overall cost. The revised project is summarised in Box 1.

5.3.2 Another notable example is the Gambia Rural Electrification, a Category 2 project. In that case a site mission resulted in the observation of potential pollution problems associated with power station operations and maintenance. The project was redesigned to include the preparation of an Environmental Management Plan, the creation of an internal environmental unit within the structure of the National Authority for Water and Electricity (NAWEC) and personnel training. The Environmental Management Plan is intended to cover all aspects of the NAWEC's responsibilities including water supply, sewage, power generation and distribution. In addition the National Environmental Agency was brought into the project to monitor it for environmental effects and compliance. The project included purchase of monitoring equipment and training.

5.3.3 Such interventions and upgrading of projects should become common occurrences as the Bank begins to focus on, what this report has referred to above, as Phase 2 of the implementation of the Environmental Policy with a concerted effort on encouraging the involvement of, and building capacity in, the RMCs.



BOX 1

ABERDARES NATURAL RESOURCES DEVELOPMENT PROJECT, KENYA

The objective of the project is to ensure the sustainability of the Aberdares ecosystem. That is to be achieved through the integrated conservation, management and development of the Aberdares ecosystem and the expansion of income generating activities in the adjacent farming communities in partnership with the local community.

In order to attain those objectives the project will focus attention on:

1. Organisation and Management of the Ecosystem: The main element of this component includes establishment of a Project Co-ordinating Unit and the preparation of the ecosystem management plan and monitoring systems.
2. Rehabilitation of the Protected Areas: This includes the establishment of wildlife checks in most vulnerable parts of the protected areas. Partial electric fencing would be only one element in a combination of barrier and non-barrier systems particularly joint Kenya Wildlife Service and community management initiatives. The barriers are mainly to reduce human/wildlife conflict and to protect some forest plantations from game damage and human incursion. Other activities include natural forest management, forest plantation development, ecotourism development, applied research and training.
3. Rural Development Activities: This component includes upgrading of rural access roads, rehabilitation of rural water supplies, agro-forestry, on-farm livestock fodder production, and support for off-farm income generating activities through small credit support for rural micro enterprises and training in business management.

5.3.4 To date, there has not been a large effort by the Bank to encourage environmental strengthening and capacity building projects in the RMCs. As noted earlier, that is likely a combination of the fact, that environment is not an official development sector, which are what the Country Strategy Papers have traditionally focused on, and, partially because environmental officers have not yet participated to any degree in the preparation of CSPs. However, some examples do exist where the Bank has played a proactive role in that field. It is co-operating with a number of international and bilateral agencies in the Regional Environmental Information Management Project (REIMP) and six Central African Countries with the aim of improving planning and management of natural resources in the Congo Basin (Box 2).

BOX 2

REGIONAL ENVIRONMENTAL INFORMATION MANAGEMENT PROJECT

This project has been prepared jointly by several international and bilateral donor agencies with the aim of improving planning and management of natural resources in the Congo Basin. The six African countries participating are Cameroon, Central African Republic (C.A.R), Congo, Democratic Republic of the Congo, Equatorial Guinea and Gabon. The four objectives of the project are:

1. Ensuring the circulation of environmental information and optimising benefits from existing initiatives;
2. Fostering involvement of decision makers in environmental information use and facilitating sound land use planning in the Congo Basin;
3. Providing users with environmental information meeting their demand ; and
4. Strengthening national capacities for environmental information management.

The project comprises a number of specialised activities under four corresponding components, i.e. Network Creation and Service Component, Decision Making and Communication Component, User-Oriented Production Component, and Capacity Building Component. Specific activities comprise: the construction and development of national and regional libraries on environment, and specialised databases (maps, reports, numerical data and satellite imageries), organising sensitisation and communication workshops for decision makers, developing user-friendly information tools, developing communication tools, producing and updating basic resources and mining extraction, providing technical assistance and training of national staff and marketing of national agencies and experts. The project is still in the developmental stages and some changes from the above may occur.

The total cost of the project is estimated at US \$ 22.3 M, spread over a five-year period. The ADB has been solicited to co-finance some of the components: **1.** Development of tools for: (i) improvement of urban and peri-urban management (regional - 3 pilot areas), (ii) forestry information management (regional), (iii) land utilisation plan in the C.A.R; **2.** Capacity building through technical assistance and training; **3.** Regional Fund for local initiatives (target NGOs) and **4.** project management, all estimated at US\$ 4.2M (UA 3.1M).

5.3.5 Ideally EIA should be carried out at the same time as the feasibility study so that information gathered by the EIA can be fed into the feasibility study to help determine location, design and operational schedules. That is particularly important where large complex engineering works are involved. The Lesotho Highlands Water Project (LHWP) is probably one of the best examples of the integration of EIA into project design and management (Appendix 3). The LHWP is a massive project involving a complex of seven dams, the transfer of water between watersheds, and the resettlement of many communities. The project is being carried out in phases, and of interest, is that the EIA was not considered an important part of Phase 1A, which encountered many problems. By examining the experiences of Phase 1A the project was able to avoid a number of problems with design, planning and implementation with a more comprehensive and effective programme of environmental management for Phase 1B. In Phase 1B, EIAs of the various components were done before design and tendering so that the EIA contributed to the choice of options and design criteria. In that way tender documents included comprehensive environmental guidelines for the contractor. Social factors and the involvement of the stakeholder communities were handled in a much more proactive and sympathetic manner than in Phase 1A. Local community offices were opened to expedite compensation claims and, resettlement was planned and established in close co-operation with the communities.

5.4 Translating EAs into Official Project Documents

5.4.1 The translating of EAs into official project documents is the point at which the Bank hands over the responsibility of the environmental aspects to the RMC. A major factor involved in this stage is the quality of the EIA and in particular the preparation of clear and concise mitigation measures and monitoring requirements or preferably their inclusion in a comprehensive Environmental Management Plan. Where mitigation and monitoring instructions are vague, or difficult to extract from an EA report, then it can only be expected that reference, if any, in official documents will also be in generalities.

5.4.2 The Appraisal Report represents the first stage at which environmental concerns may be transferred to the RMC. The review found that the inclusion and role of environment in the Appraisal Reports reviewed for Category 1 projects varied considerably from misrepresentation of environmental issues to strongly supporting them. Examples of the manner in which environmental issues were treated for Category 1 projects are:

- Environmental issues were discussed and some serious points raised but, in the concluding paragraph the environment was glossed over in the statement that “all these benefits are to be realised with positive environmental impact”
- A brief description of the environmental impacts under the assigned heading in the Appraisal Report in which the mitigation measures are listed and noted as being incorporated into the design of the project;
- A good description of the environmental impacts and mitigation measures, under the assigned environmental section, noting that they will be specified in the bidding documents (it is not clear what authority the Appraisal Report has in insuring that environmental specifications will be included in bidding documents). They also specify the agencies responsible for monitoring the environmental measures.
- A good description of the impacts and mitigation measures in the assigned section noting that an expert from the Ministry of Environment will be transferred to the Project Implementation Unit to monitor the implementation of the mitigation measures.
 - ✓ a condition of the loan is that the government provide evidence of the appointment of an environmental expert to the PIMU. The Bank must approve the appointment.
- A good description of the environmental impacts and mitigation measures in the assigned section but no clear assignment of monitoring responsibility.
 - ✓ a condition of the loan is that the government ensure that compulsory purchase and environmental protection programme is complied with and they are to inform the ADB of action taken on a regular basis.
 - ✓ environment is listed as one of the project components.
- A good description of the environmental impacts and mitigation measures in the assigned section. Monitoring and mitigation to be carried out as a regular management function of the Project Co-ordination Unit.
 - ✓ 8 out of the 13 loan conditions relate to issues identified in the EIA

5.4.3 There may be a number of underlying reasons why the importance accorded to environment varied from example to example, but there is growing evidence that, where environment is a significant aspect and where the EIA is of high quality, there is a greater tendency for it to play a more prominent role.

5.4.4 From the Appraisal Report the next stage would be to include in the Loan Agreement some legal reference to implementation of important environmental aspects. Discussions with legal department operations staff noted that Loan Agreements typically focus on salient features for implementation such as recruitment of staff and conditions for disbursement. In that regard there is mention made to the various “components” of the project because there are financial allocations related to each component. Category 1 and 2 projects should have financial aspects related to mitigation and monitoring requirements. This brings us back to the importance of a well prepared Environmental Management Plan encompassing the mitigation and monitoring plans with a well prepared budget, identification of responsible agencies and, timetable for carrying out the required activities. Such a document could become a regular “component” of projects duly noted in Appraisal reports. Such an Environmental Management Plan would also provide a simplified basis for project supervision and auditing.

5.4.5 Depending on the type of project and the related environmental aspects of concern, there are a number of options available for translating critical EA recommendations into legal documents besides the above. The World Bank (1996) notes three examples:

- i. conditions for loan negotiations, approval or effectiveness;
- ii. conditions for disbursement, and;
- iii. dated covenants.

Each has certain advantages and drawbacks and is more relevant to special cases than regular usage.

5.5 Recommendations

RECOMMENDATIONS RELATED TO INFLUENCE OF EA IN PROJECT PREPARATION

- The Initial Project Brief must include an EA Categorisation before it can be forwarded to the CD Director for approval and entry into the project pipeline.
- OESU should design an Environmental Category Justification Form to be attached to the Initial Project Identification sheet. This will provide a record of the rationale for the EA Category. It should be a standard form for all the OCDs.
- The Environmental Management Plan should be **included** as a component of the project in Appraisal Reports. As a project component, with an attendant budget, it is more likely to be referred to in the legal agreement.

PROJECT IMPLEMENTATION - EA EXPERIENCE

6.1 General

6.1.1 Implementation is the ultimate purpose of the preceding process. It is revealing about a number of environmental aspects of the project cycle: the quality of the EA report, the institutional process and, the effectiveness of the implementing institutions. It reveals how accurately the EA report identified and assessed the ecological and social influences of the project, and the effectiveness of the mitigation and monitoring measures in the Environmental Management Plan. In the case of the institutional process it reveals how clearly, and precisely, the Bank has been able to transfer the environmental management plan into the project agreement documents and implementation process. In the process of implementation, the capabilities and level of involvement of the host country environmental institutions are also revealed.

6.2 Data Sources

6.2.1 The sources of information for this section were Supervision Reports, Project Completion Reports (PCR), Project Performance and Audit Reports (PPER) and, discussions with Bank staff. The reports reviewed were selected from the files of OPEV to provide a cross section of sectors and, to provide a selection having a significant environmental component. They were augmented by an attempt to follow the projects reviewed in the EIA quality assessment section. The projects are listed in Appendix 5.

6.2.2 This is the first review of the Bank's Environmental Policy and as expected few projects in the environmental portfolio have reached completion and been evaluated. Early years of the Policy implementation were interrupted by reorganisations and hiring of staff. The last few years have seen an emphasis on implementing the policy within the Bank structure and focusing on ensuring Category 1 projects are provided with EIAs. As a result, environmental staff participation in the implementation, supervision, monitoring and, evaluation of projects has been minimal to date. The long life of projects (5yrs +) meant that most of the projects reviewed were begun before the Environmental Policy instituted the EIA process. As a result, they did not have the benefit of an EIA for the evaluators to refer back to and, likewise it was not possible to evaluate the implementation of the environmental measures.

6.2.3 The average time between the commencement of a project and a PCR or PPER in the sample reviewed was 10.5 years. However, it should be pointed out that the average, in this case, is skewed by a number of projects that were delayed by internal political strife. Those projects that did have an EIA were not yet complete, and the review was based on supervision reports and discussions with staff. In that respect the examination of how well EIAs have been implemented will have to wait for the next programme review.

6.3 EA in Project Implementation

6.3.1 The information in this section, with a few exceptions, deals largely with projects that did not incorporate EIAs and, with evaluation documents in which environmental officers did not participate to properly evaluate the environmental aspects of the projects. In spite of that a number of interesting observations emerged from the review:

- evaluators of older projects often recommended that the next phase (if that was under consideration) should include an EIA;
- many evaluations just gave general passing comment to the environment even though the project contents suggest that there may have been some significant environmental concerns;
- a number of the evaluations raised the importance of including in the evaluation team the relevant professional skills to evaluate all the important aspects of the project;
- environmental specialists were involved in only two of the completed projects. In one case, where an EIA had not been done, the evaluation report contained a detailed description of the ecological effects of the project and the mitigation measures that should have been included. In the other case, a PPER, an ecological study had been done and the environmental specialist pointed out that soil erosion threatened the lifespan of the project and in fact was a common threat to all similar projects in the country. Interestingly, the recommendations at the end of the report did not raise that issue.
- In all cases where EIAs did not exist, and environmental problems were identified by evaluators, they were problems that are normally addressed by EIAs. That alone is an encouraging sign, as it indicates that EIAs have the potential to improve project design and implementation.

6.3.2 Evaluation and project audits depend on a set of baseline data or quality standards against which to measure changes or project performance. This review noted that most of the descriptions of environmental issues in the PCR or PPERs were general statements often noting only that environmental mitigation measures had been implemented. In one case the environmental section was devoted to how commodity production and family income had increased. Those historical short comings are a result of lack of base line data in an Environmental Management Plan to refer back to, and because environmental officers have not been part of the evaluation teams to identify and evaluate the data. The availability of the Environmental Management Plans, or EIA reports, will be a critical document for future evaluations and audits, however, even now it is often difficult to track them down. The collection in the Environmental Resource Centre is far from complete and the Centre is already lacking in space.

6.3.3 Environmental Management Plans, or failing that EIAs, should be considered essential project documents. Considering the time span between when the documents are produced, and when evaluations or audits take place (over a 5-10 year period), it is important to guarantee that those documents will still be available. Considering that the Bank already has a system of filing and archiving essential project documents, the Secretariat General's Office, Documents Division (SEGL.1) should be requested to declare the Environmental Management Plans essential project documents and institute a procedure to ensure they are entered into that filing and archival system. The Environmental Management Plans would follow the same route as the Appraisal Report which is prepared by the Task Manager and forwarded through the Division Manager to the Country Director. OESU may want to consider the Country

Environmental Officer as the person responsible for finalising the EMP and sending it to the Division Manager for onward transmission.

6.3.4 Many of the evaluation/audits reviewed for this section identified project practices that showed a total lack of environmental concern: discharging untreated wastes directly into rivers, massive clearing of forest land (3,000 to 25,000ha), creation of new settlements without proper planning. In only one case, an ongoing project, was a host country environmental department involved in the project as project monitor, which was a condition of the loan. Hopefully today, more country environmental agencies will be involved with monitoring and supervising environmental aspects of the Bank's projects, and with the growing world awareness of the importance of ecological stability for development sustainability, the above practices will be minimised. Unfortunately many RMCs still have inadequate environmental legislation and the responsible departments frequently lack the capability, or political will, to enforce legislation that does exist. There is a pressing need for the environmental officers to become more involved in the supervision and monitoring of the Bank's environmental portfolio. Likewise there is a need to ensure that RMC environmental agencies, when they are involved, develop a sense of ownership and responsibility. That can be assisted by ensuring that all agencies with a role in the project are present at negotiation of the loan. That could be particularly instructive for RMC environmental agencies as most of them are still relatively new, and participation may help to instil a sense of purpose and understanding of the needed actions.

6.3.5 Environmental staff was involved in two of the completed projects reviewed. Why the environmental staff were included in those two projects is not clear. In one of the projects "ecological studies" was part of a study component. Perhaps in that case the Environmental Officer was included because the ecological studies were a component of the project. As discussed earlier, components of a project get a higher degree of attention than non-components during supervision and evaluation.

6.3.6 In two of the occasions where environmental staff has been involved in supervision missions they have identified significant omissions in the project. In the case of the Barbara Dam in Tunisia, while reviewing the environmental aspects, it was noticed that about 530 families down river of the dam would be deprived of water when the dam was closed. That issue was brought to the attention of the Bank management and, at the insistence of the Bank a small irrigation system was developed downstream, fed from the dam. In addition, an agreement was reached whereby the families could periodically request that water be released to recharge stock watering ponds along the river. The role of EIA on that project is particularly interesting because it was revised, at the request of the Bank and donor, for a third time to consider the international impacts related to the cessation of flow in the river caused by the dam. The revised EIA formed a basis for negotiations between Tunisia and Algeria. Although the EIA played a significant role in the project, one might question the quality of the first version for not identifying those major issues.

6.3.7 The second occasion, where an environmental officer participated in a supervision mission, led to the discovery that the cost of rehabilitating the watershed, to control soil erosion from silting up the dam below, was going to cost an additional US\$100 million. In that case, the EIA was done after the project was designed and approved by the Board. Insufficient money had been allocated for mitigation measures of that magnitude.

6.3.8 The evaluation and audit documents reviewed all contained a specific section where sustainability was discussed. Sustainability was an extremely variable concept ranging through technical sustainability, economic and financial sustainability, productive

sustainability, market and price sustainability, sustainability of government policy towards foreign exchange, operational sustainability of the physical infrastructure, etc. The OESU is presently embarking on the development of a policy statement for sustainable development. Perhaps a definition of sustainability or different types of sustainability, with criteria and related guidelines would be useful.

6.4 Recommendations

Recommendations relating to Project Implementation

- Environmental Management Plans, or EIAs, be considered essential project documents for future Project Completion Report and PPER reference, and be entered into the Bank's filing and archiving system by the Documents Division of the Secretary General's Office.
- Environmental Officers should participate in PCR and/or PPER for all Category 1 projects, and at their discretion for Category 2 projects.
- When RMC environmental agencies are responsible for monitoring or implementing the Environmental Management Plan they should participate in loan negotiations.
- The Bank should provide a definition of "sustainability", or different types of sustainability, with criteria and related guidelines, to clarify and standardise the use of the term in project documents.

Chapter 7

SPECIAL ISSUES

7.1 Experience With Category 2 Projects

7.1.1 Projects are assigned to EA Category 2 if they are expected to have “limited environmental impacts, or impacts that can be mitigated by applying specific measures or changes in the project design”. Referring back to Table 3, it is noted that Category 2 comprises the largest number of projects in most of the Country Department portfolios ranging up to 72% in OCDS. Most of the Category 2 projects, as expected, are in the agriculture and infrastructure sectors with slightly fewer in health and education. Country Departments South and East each have one in the economics sector.

7.1.2 To date, EA Category 2 projects have received limited attention, which seems to be the trend when organisations initiate the implementation of an EA process. The review of the World Bank’s EA process found that staff resources available for review and support of Category B projects were limited and needed strengthening especially in the area of supervision (World Bank, 1996). Although resources and time are also a limiting factor at ADB, there is the additional problem of sensitisation of operational staff. EA Category 2 is often viewed as a process that can be easily satisfied compared to the Category 1 process. As a result, Country Environmental Officers are often requested to participate only at the Appraisal mission stage. They are asked to prepare the environmental section in the Appraisal report and to prepare a table for the annex, listing the expected ecological and social changes resulting from the project, a list of proposed mitigation measures that should be included to offset those changes and a proposed monitoring schedule and responsibilities. It is not unusual, for Task Managers to prepare the environmental section themselves and then ask the Country Environmental Officer to comment on it without an opportunity for a site visit. It is frequently anticipated that the mitigation and monitoring plans will be prepared during project implementation which runs the risk of not having any budget, or not enough of a budget, to carry out the programme effectively.

7.1.3 Given the wide range of Category 2 projects and thus the variety of possible issues and influences, there are occasions, for example in the construction of a school, when the ecological effects and mitigation measures are minimal, assuming the social issues have been adequately addressed. In other occasions, in some rural development projects, the ecological and social effects may be more diverse and widespread. Considering the large number and variety of Category 2 projects in the environment portfolio, the Country Environmental Officer should have the flexibility to decide which projects will require field missions and which can be handled from the office. For the more complex projects a management plan including the mitigation measures, monitoring plan, schedule of events, possible equipment and training should all be included with a budget. As noted above such a document may not be prepared in sufficient detail before the Appraisal report and hence adequate funds for implementing the management plan may not be in the project budget.

7.1.4 The Review discusses Environmental Management Plans for Category 1 projects and recommends their preparation and inclusion in Appraisal documents as a project component. The management plans for Category 2 projects, depending on their complexity, will contain the same outline headings as Category 1, with perhaps fewer elements. The Bank, through the

Country Environmental Officers, should aim at having Environmental Management Plans prepared for Category 2 projects during project preparation, and they should be included as a project component similar to the process for Category 1. It is recognised that some Category 2 projects will only require simple one or two-page management plans that can be prepared at the office, and will not be significant enough to be mentioned as a component, but others may be more complex. To deal with the great variation and to standardise the approach, OESU with the Country Environmental Officers, should design a set of criteria and guidelines to assist in identifying those Category 2 projects that require more detailed attention. The preparation of Environmental Management Plans for all Category 1 and 2 projects would standardise the environmental planning process for all projects that have the potential to create significant ecological and social changes.

7.1.5 The process of mainstreaming the implementation and monitoring of the large number of Category 2 projects in the Bank's portfolio is beyond the capacity of the existing staff. The Bank will require a significant increase in manpower and/or financial resources. As an interim measure, the Bank may consider a greater use of consultants. One approach may be to arrange a number of groupings of Category 2 projects by country or region, and hire consultants to monitor/supervise selected packages. They might do it on a single mission on a yearly basis, under the Country Environmental Officer's supervision. The availability of budgetary resources for environmental programme management needs to be addressed.

7.2 Sector and Regional EA

7.2.1 Sectoral and regional EAs are normally carried out earlier in the planning process than project specific EAs. Sectoral EAs tend to focus on the design or strengthening of an institutional and regulatory framework for carrying out environmental responsibilities. It frequently focuses on the major impacts of concern in the sector as a whole and prescribes standard approaches to project design and mitigation. In so doing it reduces the scope of work for individual EAs of sub-projects. Regional EAs on the other hand examine the cumulative effects of multiple activities in a specified region. The activities may be ongoing, planned or anticipated in the future. Regional EAs help to define priorities and options. Both of those planning tools are still in the developmental stages although they have been used in various industrialised countries, but Sadler (1996) notes the following institutional barriers that it considers hamper the introduction and implementation of SEAs and REAs:

- insufficient political will - as indicated by low priority given to environmental concerns, by closed processes of decision making, and by low levels of accountability;
- limited societal support base - as indicated by low degrees of activism and of political influence by public and community groups;
- narrow definition of issues - reflected in prevailing emphasis on economic growth and failure to consider strategic environmental implications;
- compartmentalised organisational structures - typically, consideration of environmental matters is curtailed by the sectoral division of political powers and agency responsibilities;
- bureaucratic prerogatives - environmental requirements encroach on the "turf and territory" of other sectors which is jealously guarded by officials, especially at the political level.

7.2.2 Many of those points are evident in the RMC governments. The Review came across a number of projects to which an SEA or REA could have been applied, but at this stage it is considered that greater effort needs to be applied to the Bank's policy directives of

“encouraging RMCs to make environment part of national development planning” and “supporting RMCs strengthen environmental institutions”.

7.3 Lending to the Private Sector

7.3.1 There is a growing world-wide trend to encourage private sector involvement in the development process. Many bilateral aid agencies have lending and aid programmes to encourage joint venture operations between their home based corporations and local businesses in the developing nations. Likewise, the International Financial Institutions are experiencing a growing portfolio of private sector lending. The ADB’s portfolio of lending to the private sector is still small in relation to its public sector programme but, is expected to increase as more attention is turned to that field of bank business. Operations Private Sector Department (OPSD) does not yet have an Environmental Officer assigned to it, but calls on OESU for project support. As the private sector portfolio grows the Bank will have to reassess that situation. It should be raised for consideration during the Organisational study.

7.3.2 Investment proposals submitted to the Bank by the private sector are subject to the same environmental categorisation procedures as public sector applications. The Operations Private Sector Department (OPSD) is in the process of setting up a Private Sector Operations Committee, consisting of the heads of concerned sectors within the Bank, including OESU that will review all project applications. The committee meets regularly and is able to follow the projects through the project cycle. Projects are assigned to the regular EA categories at the Initial Project Brief stage. Where an EA Category 1 is assigned, the project time schedule is scrutinised to account for the preparation of an EIA and to accommodate the Bank’s policy of the 120-day waiting period before presentation to the Board. That analysis is important at an early stage because the greater variety of pressures and deadlines in the private sector often require them to process their financial obligations at a faster rate than the public sector. That issue becomes more critical where the Bank is asked to co-finance the venture with the IFC, which has only a 60-day holding period before presentation to their Boards. In the interests of harmonisation, and to make the loan procedure more attractive to clients in the private sector, the Bank should consider reducing the notice period for private sector loans to 60 days.

7.3.3 Private corporations in the industrialised nations are becoming more proactive in the environment field, often pressured by heavy fines and expensive litigation for polluting. More frequently companies are reorganising to adhere to the International Standards Organisation’s ISO14001 standards, which is a process of institutionalising an environmental management system within their day to day corporate operations. Simply put, the ISO 14001 is a standard with a prescribed procedure for internalising awareness and concern for the environmental impacts of the companies inputs, processes and products, and the establishment of internal environmental control and monitoring procedures.

7.3.4 Adherence to the ISO14001 standard has a number of advantages for the company. First, it provides them with documented evidence that they are in compliance with all the regulatory standards relating to emergency situations, waste emissions or discharges established in the jurisdiction in which they operate. That is important to prove “due diligence” if the company faced legal charges related to an environmental offence. Secondly, it helps in the marketing and sale of their products and company, if they can advertise that the company meets ISO14001 standards. Many financial investment houses have established “Green Funds” listing only companies that are environmentally sound for investors that wish to ensure their funds are not creating environmental problems. Thirdly, it has been found that monitoring inputs and wastes has provided considerable cost saving and recovery opportunities.

7.3.5 Briefly, ISO14001 standard requires, among other things, that: the company directors prepare, endorse and publicise an environmental policy for the company; that they do an assessment of their inputs, processes, procedures and waste streams to identify potential environmental problems; they must establish internal procedures to resolve the problems and meet any regulations and standards in force in the country in which they operate; they must establish internal monitoring systems and identify responsibility centres; they must establish and maintain an environmental records and documentation system; they must establish an emergency measures plan. The process may be summed up as “good management”. Regular audits, although not mandatory yet, could be carried out to ensure continued adherence to the standard.

7.3.6 Through its private sector lending programme the Bank is in a position to take a leading role in Africa. In response to loan requests, or as part of loan agreements, the Bank could suggest, or require, that its clients establish an operation that meets ISO14001 standards. Obviously such a procedure would be more applicable to some loan categories than others. Criteria, a screening process, and experience would soon identify where the ISO14001 standard could apply. One could envision cases where it may replace an external EIA, and be more advantageous to the proponent. Meeting ISO14001 standards would not require a waiting period of 120 days before presentation to the Board. Consulting services exist for advice and assistance in setting up an operation that complies with ISO standards. An independent examiner then verifies that the company meets the requirements before it is awarded its Certificate of Compliance. Legal guarantees in the loan agreement could be considered to ensure that the firm meets the requirements and continues to comply.

7.4 Lines of Credit, Structural and Sectoral Adjustment Loans

7.4.1 The indirect environmental effects of lending through Lines of Credit to intermediary institutions, or SAL or SecALs are more difficult to follow and assess than direct influences of project development. The Loan Agreement with the implementing agency must require that the Bank’s environmental procedures be honoured.

7.4.2 The environmental influences of Lines of Credit are perhaps easier to assess than SALs or SecALs but involve an equal amount of effort. To ensure that the ADB’s Environment Policy is honoured by the intermediary loan recipient, the Bank will have to include conditions in the loan agreement requiring the project implementing institutions to screen proposed loans for sub-projects and to carry out, or ensure, appropriate environmental analyses are done, prior to sub-loan approval. There appear to be two approaches, (1) either the intermediary must pass loan request back to Bank staff for approval, categorisation and subsequent follow-up or, (2) the ADB will have to ensure that all the necessary environmental safeguards are conducted by the intermediary lending institution.

7.4.3 In examining that same process the World Bank appraises the implementing capabilities of the intermediary lending institution to: (i) screen sub-projects, (ii) obtain the necessary expertise for EA preparation, (iii) review EA reports, (iv) implement mitigation plans, and (v) monitor the project (World Bank, 1996). Depending on the circumstances, the World Bank generally chose to either support the establishment and/or, strengthening of the environmental capabilities of the intermediary institution or, strengthen existing EA procedures at the host government level. Considering the lack of experience and capabilities of host country environmental agencies in many African countries, there is likely a need for the Bank staff to be very closely involved as noted in the preceding paragraph i.e. Bank staff have to approve and follow each loan or, as an intermediate step, they work very closely with

the host country environmental agencies, or the intermediary lending agency. In any case, tracking environmental aspects of LoCs will be an additional work load that needs to be considered in future planning.

7.4.4 It is generally agreed, that assessing the environmental influences of SALs and SecALs is difficult to deal with, as it is necessary to follow the economic influence through the realms of policy changes to emerge at the other end with implications on natural resources use and possible subsequent ecological changes. Such analyses require economic environmental expertise. Chapter 3 recommended that, as a first step, an Environmental Economist be brought in as a bilateral Technical Assistant to develop an operational programme for the integration of environmental economics into Bank programming.

7.5 Recommendations

RECOMMENDATIONS RELATED TO SPECIAL ISSUES

- Environmental management plans for selected Category 2 projects should be prepared during project preparation and be included as a project component in the Appraisal Report. OESU and Country Environmental Officers should devise a set of criteria to identify those projects where a significant management plan is required.
- Increased budgetary and manpower, or consultant, resources will be needed to adequately service the portfolio of Category 2 projects.
- The Bank should consider reducing the waiting period, before Board presentation, for Category 1 projects in the Private Sector investment portfolio from 120 days to 60 days. That would bring the ADB in line with the IFC, and make it more competitive in this growing market.
- The Bank should consider introducing an ISO14001 Standard requirement into the Private Sector lending programme for selected types of loans **particularly dealing with large industrial or manufacturing process.**

Chapter 8

THE ROAD AHEAD

8.1 The Bank has successfully implemented seventy-five percent (75%) of the Environment Policy consisting of forty percent (40%) operational with an additional thirty-five (35%) in progress. Those directives in the Environment Policy still remaining, which this review has dubbed as Phase 2 of the implementation process, hinge on only three issues:

- i. the placement of environmental economic expertise in the Country Departments,
- ii. strengthening and augmenting Bank staff, to manage the growing environment portfolio and,
- iii. providing additional funding to encourage the RMCs to make environment part of national development planning.

8.2 All of the above will require additional financing by the Bank. In to-days economic climate the prospect of increased staffing and budgets is contrary to the trend of the times. However, the Board of Directors have clearly made environment a central pillar of their sustainable development strategy clearly outlined in the ADF-VIII Lending Policy and in the Vision document (ADB, 1998b) designed to re-invigorate the Bank and to develop “an agenda for moving forward”. Many of the recommendations of this Review are in harmony with the intent and proposals of the Vision document. Now, to make the Environment Policy fully effective it is imperative that the Bank position itself to fulfil its goal.

8.3 The Review has provided a number of other recommendations largely related to strengthening and mainstreaming environment within the Bank’s internal operations. Many of them relate to organisational and procedural matters, and should be considered in relation to the proposed Organisational Study for the Bank and the revision of the Operations Manual.

8.4 The implementation of the environmental policy is much like planting a tree on the continent of Africa as the Bank has often used as a poster illustration. The seed was planted in 1990 and the seedling nursed in the early years to institute the EA process within the Bank and build a strong root system. The seedling has sprouted, but not yet branched out to spread its leaves to green Africa. That is the next phase of implementation. The Bank must take its environmental policy and branch out across Africa to strengthen and assist the RMCs.

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APPENDIX 1

EA PERFORMANCE REVIEW STUDY

QUESTIONNAIRE

I have been retained by the OESU to conduct an evaluation of the performance and effectiveness of the 1990 Environmental Policy, basically an assessment of its implementation and its influence on Bank projects and programmes. I would like to arrange a meeting Country Environmental officers and selected Country Directors and Co-ordinators, as recommended by the OESU, to discuss your views on its performance and effectiveness. It has been almost 10 years since the policy was approved and the Bank will shortly conduct a revision of the Policy and Guidelines and this evaluation will provide the basis for changes and updating. I am particularly interested in those aspects that you feel need improving and your ideas as to how that should be done. Thank you for your consideration.

The following are some of the areas I would like to focus on, but would be pleased to discuss any other concerns you would like to raise.

Paul Dean, Consulting Ecologist

1. Do you think that the EA Categorisation, as it is presently applied, is done early enough in the project cycle?
2. Are the responsibilities of the Country Department environmental staff vs the OESU clear? If not how can they be improved?
3. Is Categorising “studies” as Category IV, in which instructions related to environmental assessment are unclear, a useful category, or should “studies” be classified as I, II or III related to the proposed content of the study?
4. Do the Country Departments have sufficient environmentally trained economists to develop economic analyses of the environmental impacts of the Bank’s programs and projects?
5. Is there any particular aspect of your initial consideration of projects that alerts you to the necessity to include an Environmentalist as part of the project team?
6. At what point should the impact of a project on social issues be considered, and how should social impact be assessed?
7. Are you familiar with the (13) Sectoral Environmental Assessment Guidelines documents? Have you made use of them at any point in the project cycle? If your answer is yes, do you find them useful enough to refer to them regularly or only occasionally?
8. When missions are planned are you satisfied with the availability of environmental expertise at your disposal to join the mission team? Are there any specific constraints such as administration, financial, type of expertise required, or others?

9. Has the EA process made any significant difference to the quality of projects? Can you give some examples?

10. Sectoral EAs address issues of policy, planning, institutional capability and the legal framework related to the sector encompassing a project's activities. Regional EAs examine the cumulative impacts of several ongoing, planned or expected activities in a given geographical region. Have either of those tools been used in your country programming? Can you give examples? Are they a useful approach?

11. Have there been any projects specifically aimed at strengthening RMC environmental institutions, or environmental legislation, as a direct result of the Environmental policy? Can you give some examples?

12. Has there been any increase in promoting environmentally beneficial projects in the RMCs since the Bank introduced its Environmental Policy? (support to carry out natural resource inventories such as wetlands, flora, fauna, coastal resources, management of Protected Areas, reforestation, etc.). Examples?

13. Have environmental considerations been introduced into Structural Adjustment Loans or Sectoral Adjustment Loans? Can you give some examples? If not do you think it would be useful?

APPENDIX 2

LIST OF EIA'S ANALYSED FOR QUALITY CONTENT IN TABLE 4

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- Burrow Binnie International, 1997. *Economic Feasibility Study and Preliminary Design for Nklangano - Lavumisa Road (MR 11), Final EIA*. For Ministry of Works and Construction, Swaziland.
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APPENDIX 3

LESOTHO HIGHLANDS WATER PROJECT

An Example of Good Integration of EIA into Project Planning and Design

The Lesotho Highlands Water Project (LHWP) is a massive project involving a complex of seven dams, the transfer of water between watersheds, and the resettlement of many communities. It is being implemented in phases over a 30-year period. In spite of having a 40 volume EIA, Phase 1A experienced many difficulties. Lessons learned from Phase 1A were used to modify the approach to environmental mitigation in Phase 1B. The following describes the contributions made taking full advantage of the EIA process.

Lessons Learned from Phase 1A

When the various components of Phase 1A were being planned only minimal consideration was given to the environmental and social aspects of the project. At the time, Lesotho Highlands Development Authority (LHDA) was dominated by an engineering philosophy and the environmental interests with LHDA were in its infancy. In examining the experiences from Phase 1A a number of problems in the design, planning and implementation of Phase 1B have been avoided. The experiences gained led to a more comprehensive and effective programme for the environmental management of Phase 1B.

Management

The environmental and social consequences of such a large project are extensive and varied and management must be effective. In its formative years, LHDA was not customer focused or service oriented, nor was it proactive. The ineffectiveness of Phase 1A was reflected in responses of the people, many of whom indicated that LHDA provided them with no forum in which they could take part in discussions relating to the project.

Recognition of management shortcomings led to a much improved and functional management system. The Highlands Service Group (HGS) is currently much more responsive to people's needs, has the ability to identify issues at an early stage, is more adept at problem solving and is proactive. The preparation of a timely and comprehensive EIA, staff dedicated to public participation, the development of a detailed resettlement plan with, and for the people, and the decentralisation of the Division through the field operating teams, all provide improved management.

Monitoring plays an important role in environmental management. In addition to those produced by consultants the HSG has its own monitoring and evaluation section that regularly inspects construction works.

Environment

Planning, design and construction of Phase 1A proceeded without individual environmental assessments for each of the main components and without an overall environmental impact assessment. Baseline studies were carried out quite late and one critical baseline study, erosion and sedimentation, was done only after construction had begun.

Individual environmental assessments were conducted for each of the main project components in Phase 1B as part of the engineering design contracts. Baseline studies were initiated at about the same time as the individual EAs and most of the baseline data were available to be used as a foundation for the preparation of the EIA. An EIA was prepared in advance of design and tender document completion.

During Phase 1A much of the responsibility for environmental matters was given to the engineers responsible for project component implementation. Infrastructure impacts were not completely addressed as a result of weak tender documents. Tender documents in Phase 1B included comprehensive environmental guidelines for the contractor.

Local Communities

In the early stages of Phase 1A, little consideration was given to local people who would be most affected by the project, and little was done to alleviate project impacts on the people. They were never kept informed, there was no forum in which they could express their views, and no opportunity to meaningfully participate. Their importance as stakeholders was not recognised. As a result, people became distrustful of the LHDA.

In Phase 1B the local people have had full opportunity to provide input. The results of the component “environmental assessments” reflect people’s concerns. Local people have had full participation in the preparation of the resettlement and development plan and a structure has been put in place to ensure that active participation continues. As a result of the participation programme, people are aware of what will be taking place, they are well prepared, and do not have the same worries, insecurity, feelings of despair, and hostility towards LHDA as people did in Phase 1A.

Socio-economic Concerns

Phase 1A experienced a population influx as people migrated to the project sites for jobs. This resulted in uncontrolled and disorganised development. The problems associated with population influx are recognised and are being addressed in Phase 1B. Where possible, camps are located away from construction sites and local communities, and an employment and settlement avoidance strategy has been prepared. Health care for the Phase 1B area is being carried out in a comprehensive manner. The provision of jobs to local inhabitants by contractors is a priority for all semi-skilled and unskilled positions.

Compensation

The compensation programme for Phase 1A was slow to deliver its services, and lacked a process for directly servicing claims. To address that issue Field Offices have been established to provide on-the-spot compensation for claims to a designated maximum. Cash instead of commodities is now given for compensation. Records of all claims are meticulously kept and the value of all resources is determined to ensure fair compensation.

To ensure that compensation is timely for Phase 1B, the resettlement and development programme will be implemented in advance of the construction. The Compensation policy for Phase 1B, for lost land, will be flexible and will offer a choice of “land for land”, cash or grain, or a combination of those.

APPENDIX 4A

INITIAL ENVIRONMENTAL EXAMINATION (IEE) SHEET

INITIAL ENVIRONMENTAL EXAMINATION (IEE) SHEET FOR BANK PROJECTS

- | | |
|--------------------|---------------------------------|
| 1) NUMBER | 9) PROJECT PROCESSING SCHEDULE: |
| 2) COUNTRY: | A) CURRENT STATUS: |
| 3) NAME OF PROJECT | B) APPRAISAL: |
| | C) PRESENTATION TO BOARD: |
| 4) LOCATION: | 10) DIVISION: |
| 5) SECTOR: | 11) DEPARTMENT: |
| 6) DURATION: | |
| 7) ESTIMATED COST: | |
| 8) LOAN AMOUNT | |

ENVIRONMENTAL CATEGORISATION

A) MAJOR PROJECT COMPONENTS:

B) POTENTIAL ENVIRONMENTAL ISSUES:

C) MITIGATIVE MEASURES REQUIRED:

D) NEED FOR EIA (IF APPLICABLE):

E) COMMENTS FROM THE RELEVANT DIVISION IN OCDx AND OPSD ON THE COMPLETED IEE SHEET SHOULD BE ATTACHED WITH THIS SHEET

SIGNATURE

DATE

ENVIRONMENTAL OFFICER

MANAGER, OESU

APPENDIX 4B

SAMPLE OF ENVIRONMENTAL CATEGORY JUSTIFICATION SHEET

MALAWI KARONGA – CHITIPA ROAD PROJECT

Environmental Impacts and Mitigation

I. Justification of Classification

The project is not located in or close to an environmental sensitive area.	X
Project is listed under category II of figure 1 of the ADB Environmental Assessment Guidelines.	X
The project has no major physical interventions in the human and natural environment	X
The project is a rehabilitation project	
The project is a small scale project	
The project is a low-cost project	

II. Project Area

The project area is typically “moist Savannah”, with rainfall ranges of 600-1,800 mm per annum, falls often as heavy storms in the summer months (November to April). Most of rivers in the project area have relatively small catchment areas and short courses, flowing across the Plateau area before dropping down the escarpments to enter Lake Malawi. With the exception of the North Rukuru and Lufilya Rivers, most rivers and streams in the project area are ephemeral and in many situations potable water is obtained from wells and boreholes that represent an unreliable source of water during the dry season.

The road corridor descends gently eastwest from the escarpment zone to the Chitipa plain traversing two landuse/vegetation zones. The later is characterized by shifting/slash and burn agriculture that led to increased erosion and reduced fertility. On the other hand, limited population of the escarpment zone due to the harsh topographic and transportation conditions has conserved the rich natural forest woodland undisturbed.

Due to the dryness of the area, no species were described as protected or endangered. Large mammals in the region is limited to the Niyka National Park some two hundreds kilometers south of the road. The area is sparsely populated where approximately 20 settlements counted within the Right of Way (Karonga to Chitipa) and about 125,000 total population in Chitipa area. Health care facilities are available only in Chitipa and Wililo.

The area contains a number of archaeologically significant sites. Dinosaur beds (that contain, among other materials, pockets of disarticulated vertebrate bones) have been uncovered about 40 km south of Karonga in a geologically similar sequence to that which traverses the road at roughly km 82. The department of Geological Survey at Lilongwe report that no finds of dinosaur remains have been recorded in the are of the road corridor. However, this doesn't rule out the possibility that construction activities will uncover further remains.

III. Environmental Impacts and Mitigation

The project main positive impact is the overall improvement in road quality that will consequently increase business and employment opportunities, reduce dust level in the air, improve drainage, and facilitate access to health, educational, services and market centers. The project will also use a number of local laborers and supplies during construction, which will improve socio-economic conditions with a wage related income coming to the region.

Negative impacts:

- ◆ Disturbing areas of historical significance and burial grounds or uncovering hitherto unknown prehistoric or historical deposits and remains;
- ◆ Impact on visual quality, pollution of water courses and vegetation disturbance due to gravel and borrow pits and quarries;
- ◆ Disturbance of existing vegetation through road widening and straightening and construction of temporary access tracks and construction camps;
- ◆ Forest and tree clearing in favor of cultivation, for firewood and charcoal, and forest product exploitation as a direct result of improved accessibility after the road completion;
- ◆ Increased erosion and slope failure due to the creation of new earthworks slopes in addition to the higher runoff rates resulting from increased surface drainage efficiency;
- ◆ Landuse disturbance and damage of some crops during site preparation and construction;
- ◆ Impacts of construction camps on adjacent water courses and communities;
- ◆ Risk of transmittal diseases by the non-resident workers.

Mitigation measures:

- ◆ An archaeological survey should be carried out by the Department of Antiques within the Right of Way and other relevant areas. All works should be ceased in areas where fossils are discovered. Earthworks in sensitive areas will proceed with utmost care;
- ◆ In compliance of Section 29 of the Monuments and Relics Act of 1990, the Ministry of Antiques will be notified in case of uncover of remains or deposits of significance;
- ◆ Borrow pits and quarries must approved by the DoF and shall be fenced off during use. Sides and bottom should be re-vegetated as soon as possible after closure;
- ◆ Vegetation clearing and grubbing should be minimized, made after the rainy season, and returned to its indigenous state (or previous land use) directly after closure;
- ◆ All deviations from the old route should be approved by the DoF. Existing vegetation in the new routes should be relocated in the old routes;
- ◆ Collection of fuel wood for any purpose from the woodlands around construction camps would be prohibited with alternatives provided by the contractor. Moreover, all measures for fire control would be taken including bitumen heating during surfacing;
- ◆ The community extension programs will be used to educate the local communities in agroforestry and woodland management in order to assume responsibility for the woodlands in their vicinity;
- ◆ Side drains will be grassed with regular cut back with checkdams used to maintain invert gradient at 2-3% or less whenever possible to control runoff. In addition, earthwork slopes will be protected using revetments;
- ◆ According to Capture 58:04 of Volume VIII of Laws of Malawi, cost for compensation of disturbed land use or crop destruction will be handled by the Minister of Land;
- ◆ Spoil should be compacted and disposed of in areas of low landuse value and restrained from being washed into drainage channels or sources of domestic water supply;
- ◆ Camps of non-local workers would be situated away from existing settlements. All measures should be taken to control transmittal of HIV-AIDS and other diseases;
- ◆ Communities must be educated about the pits and quarries locations, construction schedules, health risks and relevant safety measures.

IV. Monitoring and Management

NRA, through the supervising Consultant, will have the sole responsibility for monitoring the implementation of the mitigation measures. On the other hand, as part of their regular activities, Department of Environmental Affairs, Forestry Department and Department of Antiques will also inspect the different project activities on regular basis to ensure the accomplishment of the mitigation measures. Bank supervision missions will make sure of the fulfilling of such surveillance.

APPENDIX 5

List of Supervision and Project Completion Reports Examined for Project Implementation - EA Experience

1. The Gambia, Banjul Port II Project, Effective - 1994, Supervision - 1998
2. The Gambia, Roads Rehabilitation Project, Effective - 1991 PCR - 1998
3. Tanzania, Madibira Small Holder Agricultural Development, Effective - 1994. Supervision reports - 1998, 1999.
4. Tunisia, The Barbara Dam Project, Effective - 1995, Supervision - 1996, 1997, 1998, 1999.
5. Madagascar, Analaiva Sugar Project, Appraisal - 1982, PCR - 1996.
6. Sudan, Agricultural Rehabilitation Programme II, Effective - 1992, PCR - 1996.
7. Egypt, Agricultural Development II, Effective - 1989, PCR - 1997.
8. Guinea, Rubber and Palm Oil Plantations, Appraisal - 1990, PCR - 1996
9. Morocco, Integrated Rural Development Project, Province of Settat, Appraisal - 1985, PCR - 1998.
10. Madagascar, Agricultural Irrigation Tsiribihina-Manambolo, Phase 1, Appraisal - 1987, PCR - 1997.
11. Zaire, Rehabilitation and Extension of a Sugar Plantation and Factory, Effective - 1988, PCR - 1996.
12. Rwanda, Rural Development of Byumba, Effective - 1983, PCR - 1995.
13. Egypt, El-Baheira Rural Development Project (BRDP-1) Effective - 1982, PCR - 1997.
14. Uganda, Lugazi Sugar Rehabilitation Project, effective - 1984, PCR - 1995
15. Gabon, Rubber Scheme Phase I, Effective - 1986, PCR - 1994.
16. Ethiopia, Bebeka Coffee Plantation Development Project, Effective - 1983, PCR - 1994.
17. Swaziland, Lupholo-Ezulwini Hydro-Electric Project, Effective - 1982, PPER - 1994.
18. Algeria, The Koudiat Acerdoune Dam Project, Appraisal -1993, Supervision - 1999.

APPENDIX 6

Matrix of Main Recommendations and Follow-up Actions

Assessment Area Main Recommendation and Follow-up Action	Responsibility
<p>1. Policy Implementation</p> <p>1.1 The Bank should give top priority to encouraging RMCs to make environment part of their national development planning by: (I) encouraging greater participation of environmental staff in Country Strategy Papers, (ii) promoting environmentally beneficial projects and, (iii) supporting RMCs to develop and strengthen existing institutional and human resource capabilities to undertake environmentally sound management.</p> <p>1.2 Environment should be linked into the APPR, particularly Category 1 projects so that environmental audits can be conducted as part of the environmental portfolio performance as part of the APPR.</p> <p>1.3 The Bank should introduce environmental economics into economic analysis of Bank financed projects to quantify environmental costs and benefits.</p> <p>1.4 The Bank should give top priority to increased funding, to provide environmental staff with consulting support to manage the environmental portfolio, and to RMCs for environmental project support and institutional capacity building.</p>	<p>OESU/CDs</p> <p>OESU/OCOD</p> <p>OESU/OCOD/ CDs</p> <p>OESU/CDs/ OCPU</p>
<p>2. Institutional Aspects</p> <p>2.1 OESU should consider categorising studies as S1, S2, or S3 as a <u>guide</u> to those preparing the TOR for the study, that an S1 or S2 should include the collection of preliminary environmental data as part of the study. That would allow more accurate Categorisation for the Project Brief and help integrate environmental data into project preparation.</p> <p>2.2 Country Departments should be encouraged to add the project EA Category to their active country programme database.</p> <p>2.3 OESU should consider establishing a computerised Environmental Tracking System in the Environmental Resource Centre to collect data and track implementation of environmental aspects of the Bank's Category 1 and 2 projects.</p> <p>2.4 The Bank needs to consider increased budget allocations for environmental staff field requirements, and environmental consulting support services, at the Country Operations level.</p> <p>2.5 Clarification of the responsibilities and role of CEOs, harmonisation of their job descriptions and giving them the appropriate authority. This should be done in the context of the organisation study soon to be initiated in the Bank.</p>	<p>OESU</p> <p>CDs</p> <p>OESU</p> <p>OCOD/CDs</p> <p>OESU/CDs</p>

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<p>2.6 OESU should encourage EIA consultants to interface with local NGOs during the preparation and operation of the public consultation phase of the EIA to facilitate the integration of local views and aspirations.</p> <p>2.7 ESU should consider a refresher round of workshops, at the country operation and RMC level, on environment as a project-planning tool, its role in contributing to sustainable development, and means of strengthening RMC capabilities, in the development and design of Bank programmes and projects. Target groups for the workshops should include Task Managers and RMC environmental agencies involved in Category 1 and 2 projects.</p>	<p>OESU/CDs</p> <p>OESU/CADI</p>
<p>3. Quality of EIAs</p> <p>3.1 In preparing TOR for EIAs the Bank should put particular emphasis on the preparation of a “stand-alone” Environmental Management Plan as an outcome of the study. The Environmental Management Plan should generally contain the following elements: mitigation measures, schedule of implementation, responsible agency, budget, monitoring plan, schedule of implementation, responsible agency, budget, training, other institutional strengthening measures.</p> <p>3.2 The Bank should consider the modification of the EA procedure into an Environmental Planning Process that will integrate ecological, social and environmental economic expertise into all stages of the Bank’s existing project cycle.</p>	<p>OESU/CDs</p> <p>OESU/OCOD</p>
<p>4. Influence of EA in Project Preparation</p> <p>4.1 The Initial Project Brief must include an EA Categorisation before it can be forwarded to the CD Director for approval and entry into the project pipeline.</p> <p>4.2 OESU should design an Environmental Category Justification Form to be attached to the Initial Project Identification sheet. This will provide a record of the rationale for the EA Category. It should be a standard form for all the OCDs.</p> <p>4.3 The Environmental Management Plan should be included as a component of the project in Appraisal Reports. As a project component, with an attendant budget, it is more likely to be referred to in the legal agreement.</p>	<p>CDs</p> <p>OESU</p> <p>OESU/CDs</p>
<p>5. Project Implementation – EA Experience</p> <p>5.1 Environmental Management Plans, or EIAs, be considered essential project documents for future Project Completion Report and PPER reference, and be entered into the Bank’s filing and archiving system by the Documents Division of the Secretary General’s Office.</p> <p>5.2 Environmental Officers should participate in PCR and/or PPER for all Category 1 projects, and at their discretion for Category 2 projects.</p> <p>5.3 When RMC environmental agencies are responsible for monitoring or implementing the Environmental Management Plan they should participate in loan negotiations.</p>	<p>OESU</p> <p>OESU/CDs</p> <p>CDs</p>

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5.4 The Bank should provide a definition of “sustainability”, or different types of sustainability, with criteria and related guidelines, to clarify and standardise the use of the term in project documents.	OESU/OCOD
<p>6. Special Issues</p> <p>6.1 Environmental management plans for selected Category 2 projects should be prepared during project preparation and be included as a project component in the Appraisal Report. OESU and Country Environmental Officers should devise a set of criteria to identify those projects where a significant management plan is required.</p> <p>6.2 Increased budgetary and manpower, or consultant, resources will be needed to adequately service the portfolio of Category 2 projects.</p> <p>6.3 The Bank should consider reducing the waiting period, before Board presentation, for Category 1 projects in the Private Sector investment portfolio from 120 days to 60 days. That would bring the ADB in line with the IFC, and make it more competitive in this growing market.</p> <p>6.4 The Bank should consider introducing an ISO14001 Standard requirement into the Private Sector lending programme for particularly dealing with large industrial or manufacturing process of loans.</p>	<p>OESU/CDs</p> <p>OESU/CDs</p> <p>OPSD</p> <p>OPSD</p>