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# DESIGNED FOR THE FUTURE?

*Assessing Principles of Sustainable Development  
and Governance in the World Bank's Project Plans*

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WRI.ORG



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# FOREWORD

As the world's premier development organization, the World Bank has a major role in making development sustainable, and promoting growth for vulnerable populations far into the future. Recently, the World Bank's new president, Dr. Jim Yong Kim, has committed to incorporating sustainability more fully into its work.

To understand the World Bank's sustainability efforts, the World Resources Institute has analyzed the extent to which economic, social, and environmental sustainability is embedded into the design of World Bank projects. We looked at sixty projects that were approved by the World Bank Board of Executive Directors between January 2012 and June 2013.

The report finds that, while the World Bank has successfully addressed a number of important economic and social risks in its projects, current efforts do not sufficiently address sustainability from a climate perspective. Three-quarters of relevant projects fail to even consider, let alone address, risks from climate change impacts. Even fewer projects—only 12 percent—consider impacts on greenhouse gas emissions. Two projects from this assessment, in China and India's urban development and transport sectors, could have served as exemplars, but instead represent missed opportunities to address climate change impacts.

Our analysis suggests that the World Bank can take simple but important steps to help countries with a changing climate. First, it must incorporate climate change as an essential element in the design of all relevant projects. Second, it can develop robust data and metrics to better measure results. Third, it should help all countries integrate climate into their country partnership frameworks to ensure that climate-smart policies inform future choices.

By undertaking these recommendations, the World Bank can become a better climate-sensitive partner to its client countries. The World Bank's willingness to adapt and experiment has been its historical strength. We are confident it will address the climate challenge with the same innovative spirit.



**Andrew Steer**  
*President*  
*World Resources Institute*



# EXECUTIVE SUMMARY

The World Bank has sought to reinvent itself in the face of a growing number of global development challenges, including economic uncertainty, political unrest, and the increasingly severe impacts of a changing climate. This report examines the extent to which the World Bank is integrating elements of sustainable development and effective client-country governance considerations into the design of a sample set of projects. The authors offer ten recommendations for how the World Bank can improve its project plans to meet these global challenges.

The World Bank was founded more than half a century ago with the goal of reducing, and eventually eliminating, poverty worldwide. As the challenges facing the world—from economic uncertainty and political unrest, to the increasingly severe impacts of a changing climate—have grown, the World Bank has sought to reinvent itself.

As part of its reinvention, the World Bank has announced two new goals. The first is to reduce global extreme poverty<sup>1</sup> to 3 percent of the world’s population by 2030. The second is to promote shared prosperity, which requires fostering income growth for the poorest 40 percent of the population in every country. Importantly, shared prosperity also entails securing development gains for future

generations. In pursuing these goals, the World Bank has a unique opportunity to distinguish itself in the development finance landscape by integrating sustainable development and effective client-country governance into the core of its operations.

To understand the World Bank’s ongoing reform efforts, the World Resources Institute (WRI) examined the extent to which the World Bank is integrating elements of sustainable development and effective governance considerations into the design of a sample set of projects. This report builds on similar studies conducted by WRI in the past.<sup>2</sup> The projects that WRI assessed were selected from a list of sectorally relevant, sampled projects approved by the World Bank between January 2012 and June 2013.<sup>3</sup>

## BOX ES-1 | ASSESSMENT FRAMEWORK INDICATORS

- Is this engagement explicitly targeting vulnerable populations, consistent with country development priorities?
- Is this engagement going to result in the access to and improvement of essential services for vulnerable populations?
- Is this engagement going to result in the access to and improvement of economic opportunities for vulnerable populations?
- Has this engagement undergone an environmental and social assessment prior to approval, including through consultations with affected stakeholders?
- Does this engagement include a plan for responding to the identified environmental and social risks?
- Does this engagement provide project-specific avenues for affected communities to seek justice if adversely affected?
- Has there been an assessment of likely GHG emissions, relative to a baseline?
- Have alternative projects been considered from a GHG mitigation perspective, if so, what are they?
- Have actions been taken to mitigate GHG emissions through this engagement, including through the use of concessional climate finance, and if so, what are they?
- Has there been an assessment of vulnerability to and risk from climate change impacts?
- Have actions been taken to address the identified risks from climate change impacts, including through the use of concessional climate finance, and if so, what are they?
- Is this engagement embedded in a long-term integrated sustainable development plan or strategy?
- Was this engagement selected from a range of options considered and prioritized in the plan?
- Does the engagement support or consider the adequacy of support for such integrated plans?
- Does the engagement consider the adequacy of enabling policies/regulations?
- Does the engagement consider the adequacy of institutions and governance arrangements at various levels, and seek to ensure that the deficiencies are addressed?
- Does the engagement consider and seek to address prevalent market failures and distortions?
- Does the engagement promote transparency and inclusion in implementation decision-making?





WRI used an “in-house” framework of eighteen indicators (Box ES-1) to assess project plans in four areas relevant to sustainable development and effective governance: (1) meeting the needs of vulnerable populations, (2) identifying and responding to social and environmental risks, (3) identifying and assessing climate change-related activities and risks, and (4) addressing certain client-country governance issues. Using examples of projects from the sample set, the report highlights instances where project plans sufficiently address the framework indicators, and instances where they do not. From these insights, the authors were able to develop implications and a set of ten recommendations for World Bank management.

WRI’s analysis reveals that the World Bank does reasonably well in targeting vulnerable populations, and in assessing environmental and social risks (Figure ES-1). However, among the projects that WRI evaluated, the World Bank fell short in integrating climate change into project design, despite institutional commitments to integrate climate change issues into its activities.<sup>4</sup> WRI’s analysis shows that the World Bank could better demonstrate that its projects align with client-country strategic plans. In addition, the World Bank could perform better in demonstrating how its projects improve vulnerable populations’ access to vital services and economic opportunities.

## Key findings

### ■ Climate change

- Seventy-five percent of the projects did not incorporate assessments relating to climate change risks into their design.
- Eighty-eight percent of the projects did not assess likely greenhouse gas (GHG) emissions from the project activities, relative to a baseline.
- A few of the assessed projects illustrated how World Bank investments can help countries to adapt to the impacts of climate change and build resilience. However, these projects were the exception rather than the rule.

### ■ Vulnerable populations

- Sixty-eight percent of the projects evaluated explicitly identified and targeted vulnerable populations.
- Only about half of the projects were able to demonstrate that vulnerable populations would see specific benefits in terms of access to essential services and improved economic opportunities from project activities.

### ■ Client-country governance

- Less than half the projects demonstrated that they were strategically embedded in long-term sustainable development plans.

Figure ES-1 | Key Findings

■ Yes ■ Somewhat ■ No

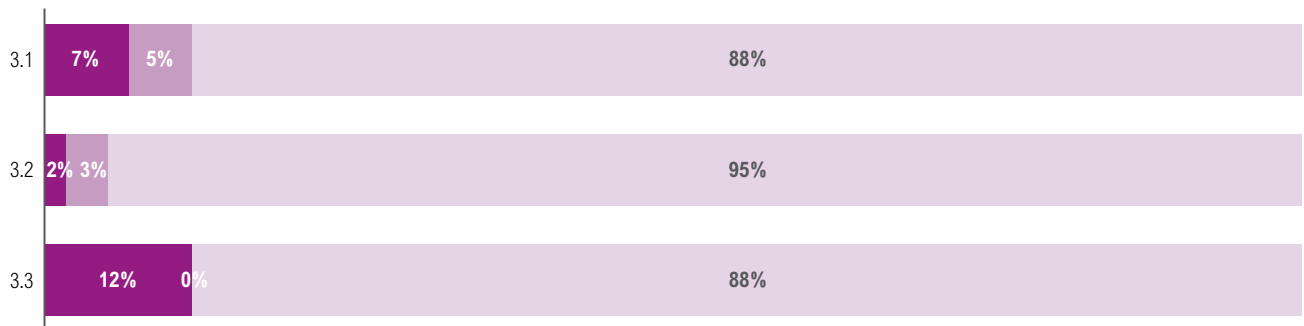
### RISKS FROM THE IMPACTS OF CLIMATE CHANGE



3.4 Has there been an assessment of vulnerability to and risk from climate change impacts?

3.5 Have actions been taken to address the identified risks from climate change impacts, including through the use of concessional climate finance; if so, what are they?

### GHG EMISSIONS

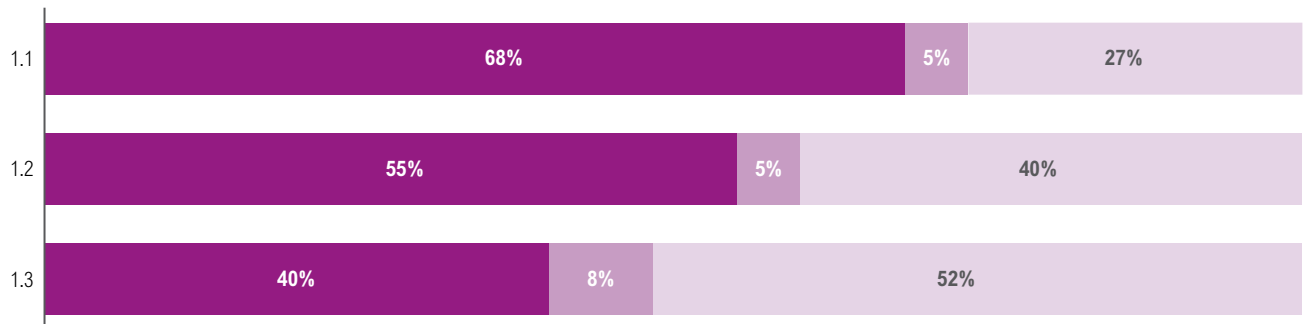


3.1 Has there been an assessment of likely GHG emissions, relative to a baseline?

3.2 Have alternative projects been considered from a GHG mitigation perspective; if so, what are they?

3.3 Have actions been taken to mitigate GHG emissions through this engagement, including through the use of concessional climate finance; if so, what are they?

### VULNERABLE POPULATIONS



1.1 Is this engagement explicitly targeting vulnerable populations, consistent with country development priorities?

1.2 Is this engagement going to result in access to and improvement of essential services for vulnerable populations?

1.3 Is this engagement going to result in access to and improvement of economic opportunities for vulnerable populations?



- Fifty-eight percent considered the enabling policies and regulations relevant to the proposed intervention at the time of project appraisal.

■ **Environmental and social risks**

- Environmental and social risks were largely considered during project design with 82 percent of projects conducting environmental and social assessments as part of their design.

## Recommendations

In light of the assessment findings, WRI recommends ten ways that the World Bank can strengthen the integration of climate change and support vulnerable populations and effective governance principles in its project plans. Because the assessment concluded that the World Bank is already adequately considering environmental and social risks through its safeguard policies, the recommendations do not address those issues.

To enhance their relevance for World Bank managers, the recommendations are framed in the context of the World Bank project approval process. Figure ES-2 highlights the key steps and key actors in that process.

Recommended actions at the strategic level

- **Climate change strategic assessments:** The World Bank should include opportunities and risks arising from the country’s development as a result of climate change in its guidance for developing Country Partnership Frameworks (which replace the Country Assistance Strategies).
- **Equity of public resource use analysis:** The World Bank should include analytical information in strategic country planning documents on the extent to which vulnerable groups are identified and public spending is meeting their priorities.
- **Sustainable development plans:** The World Bank should require that Country Partnership Frameworks consider the need to develop or strengthen integrated sustainable development plans to support countries’ sustainable development agendas.

Figure ES-2 | **World Bank Project Approval Process**



#### Recommended actions at the concept review stage

- **Climate change assessments:** The World Bank should develop guidelines for project leaders on conducting GHG assessments as part of economic analyses, and on integrating the risks of future climate change impacts into these analyses.
- **Needs assessments:** The World Bank's operational policy on poverty reduction should include guidance on identifying the needs of poor and vulnerable groups. This would allow projects to better track and deliver benefits to these groups.
- **Country-level capacity:** To promote greater country capacity in delivering development outcomes, the World Bank should identify and reduce the use of parallel project implementation structures.

#### Recommended actions at the decision meeting stage

- **Climate change results indicators:** The World Bank should include precise climate change-specific indicators in the standardized core sector indicators used to monitor and evaluate projects. These indicators should cover resilience to climate change impacts in priority sectors, as well as absolute and relative changes in GHG emissions.
- **Climate change risk management:** To account for potential climate change risks once projects have been prepared, the World Bank should strengthen consideration of climate change in its operational risk assessment framework and in its safeguard policies.
- **Social results indicators:** The World Bank should strengthen the collection and use of data on social indicators in order to improve the monitoring and evaluation of the investment's impact on vulnerable groups.
- **Governance analyses:** The World Bank should improve efforts to capture and deploy analytical information on country governance quality to inform the project decision-making process.

In light of the assessment findings, WRI recommends ten ways that the World Bank can strengthen the integration of climate change and support vulnerable populations and effective governance principles in its project plans.











## SECTION I

# INTRODUCTION

As a standard bearer for other lending institutions, the World Bank can offer insights into how global lending institutions are advancing their member countries' goals for a sustainable and poverty-free future. The goal of this assessment is to shed light on whether and how strategic visions of sustainable development and effective governance are translated into project design at the World Bank.

The World Bank strives to support developing countries' efforts to alleviate poverty and grow sustainably—economically, environmentally, and socially. As part of this effort, it has sought to encourage effective governance in client countries, so that development financing can flow to its desired targets. As a standard bearer for other lending institutions, the World Bank can offer insight into how global lending institutions are advancing their member countries' goals for a sustainable and poverty-free future.

When Dr. Jim Yong Kim assumed the World Bank presidency in July 2012, he reaffirmed its priorities of poverty eradication, sustainable development, and effective governance. Under Dr. Kim's leadership, the World Bank has introduced a new goal on shared prosperity, which aims to promote income growth for the poorest 40 percent of the population in every country. In support of this goal, Dr. Kim promised that the World Bank would “work harder to promote investments in global public goods and sustainable development” and “prioritize good governance as a cornerstone of development” (World Bank 2012a). Underpinning these and other major structural reforms taking place at the World Bank, he seeks to promote a culture of objective, data-driven investigation of the causes of failures and successes in terms of development outcomes through building up the “science of delivery” (World Bank 2012a).

The vision of sustainable development articulated at the highest level of the World Bank is consistent with a growing international consensus on scaling sustainability. United Nations member states are now debating the post-2015 development agenda, a key outcome of the Rio+20 Conference on Sustainable Development in 2012. In the Rio+20 meeting, countries committed to a set of Sustainable Development Goals that would build upon and replace the Millennium Development Goals established in 2000. In the lead-up to an international agreement in 2015, open working groups are crafting the principles governing these goals (UN Sustainable Development Knowledge Platform, no date).

The international development community has recognized that the impacts of climate change could derail countries' progress toward sustainable development. As early as the 2005 Gleneagles Group of Eight (G8) Summit, the world's leading industrialized nations directed the World Bank to act on climate change. The Gleneagles Plan of Action on Climate Change, Clean Energy and Sustainable Development invited the World Bank and other multilateral development banks to “explore opportunities within their existing and new lending portfolios to increase the volume of investments made on renewable energy and energy efficiency technologies;” “work with interested borrower countries with significant energy requirements to identify less greenhouse gas intensive growth options;” and





“develop and implement ‘best practice’ guidelines for screening their investments in climate sensitive sectors” (G8 Information Centre (2005). Nearly ten years after the G8 announced this mandate, it is now an appropriate time to assess climate change as a core part of the sustainable development and governance agenda.

In recent years, the World Bank has developed and updated several key strategies, policies, and procedures in a bid to make its operations more sustainable and supportive of effective governance practices (Figure 1). At the same time, it has maintained its focus on eradicating extreme poverty. However it is not immediately clear how these strategy documents have influenced the World Bank’s project design processes. This report aims to bridge this information gap, and to help guide the World Bank’s leadership in its efforts to enhance sustainability and effective governance in its portfolio.<sup>5</sup> The report assesses recent practices in project design by reviewing the World Bank’s project appraisal documents for its 2012–13 portfolio through selected sustainable development and client country governance indicators.

WRI developed the assessment framework used in this report to evaluate how select economic, social, environmental, and governance considerations were integrated into project design. The framework builds on the World Bank’s internal policies, such as the operational and safeguard policies, but also assesses a wider scope, including criteria related to climate change. Box 1 describes how WRI’s assessment complements and varies from studies by the World Bank’s Independent Evaluation Group (IEG).

The goal of this assessment is to shed light on whether and how strategic visions of sustainable development and effective governance are translated into project design. These insights can indicate the extent to which strategies play a role in the incentive structures of task team (i.e., project) leaders and their managers. The conclusions and recommendations presented here are based on not only desk reviews of project appraisal documents, but also in-person discussions of the findings with the respective project leaders.

## BOX 1 | RELEVANT STUDIES BY THE INDEPENDENT EVALUATION GROUP

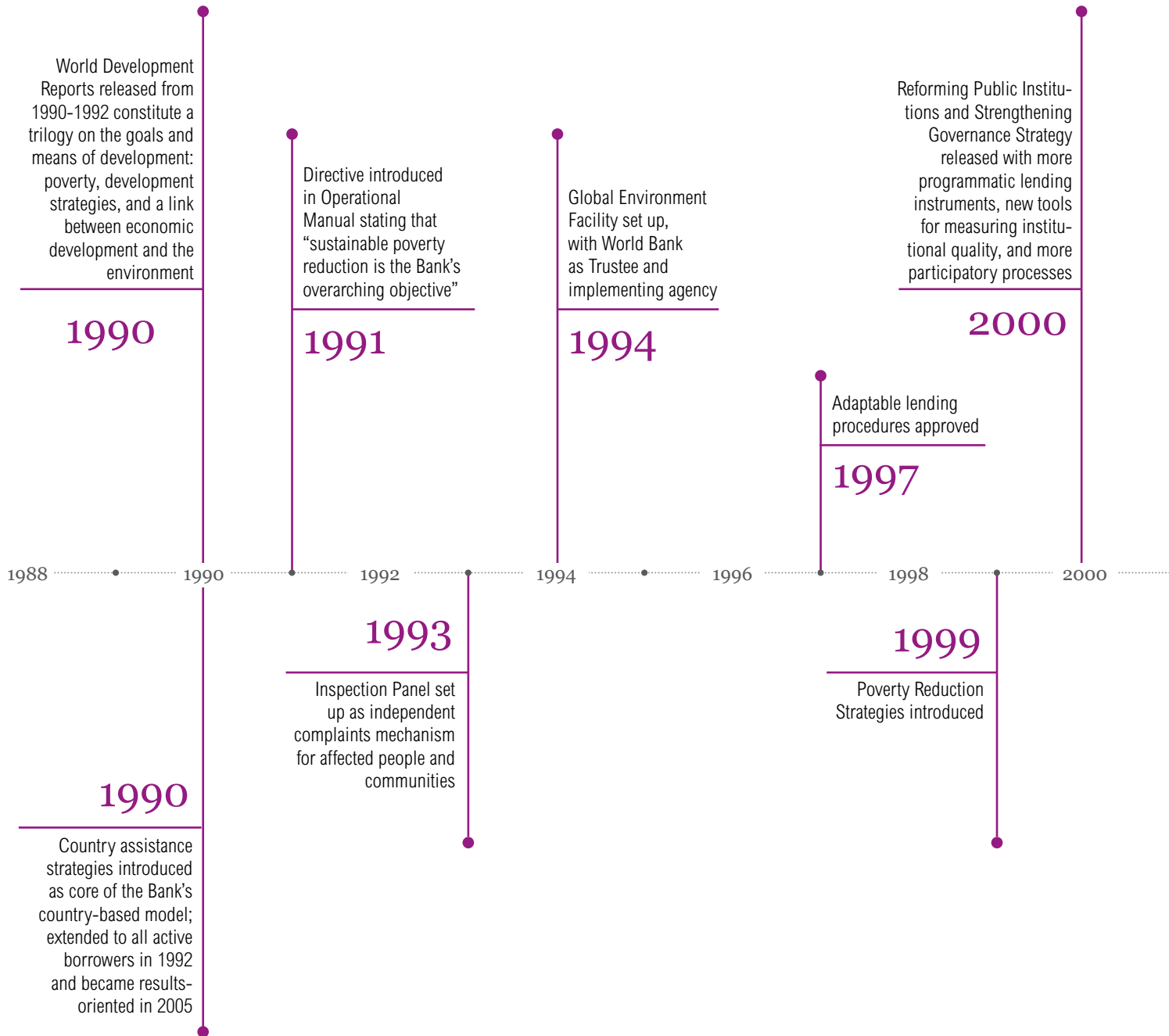
This report complements, references, and extends beyond similar studies by the World Bank’s Independent Evaluation Group (IEG), including:

- The Evaluative Directions for the World Bank Group’s Safeguards and Sustainability Policies (2011)
- Adapting to Climate Change: Assessing World Bank Group Experience (2012); Evaluation of World Bank Group Assistance to Fragile and Conflict-Affected Situations (2013)
- World Bank Country-Level Engagement in Governance and Anticorruption: An Evaluation of the 2007 Strategy and Implementation Plan (2011).

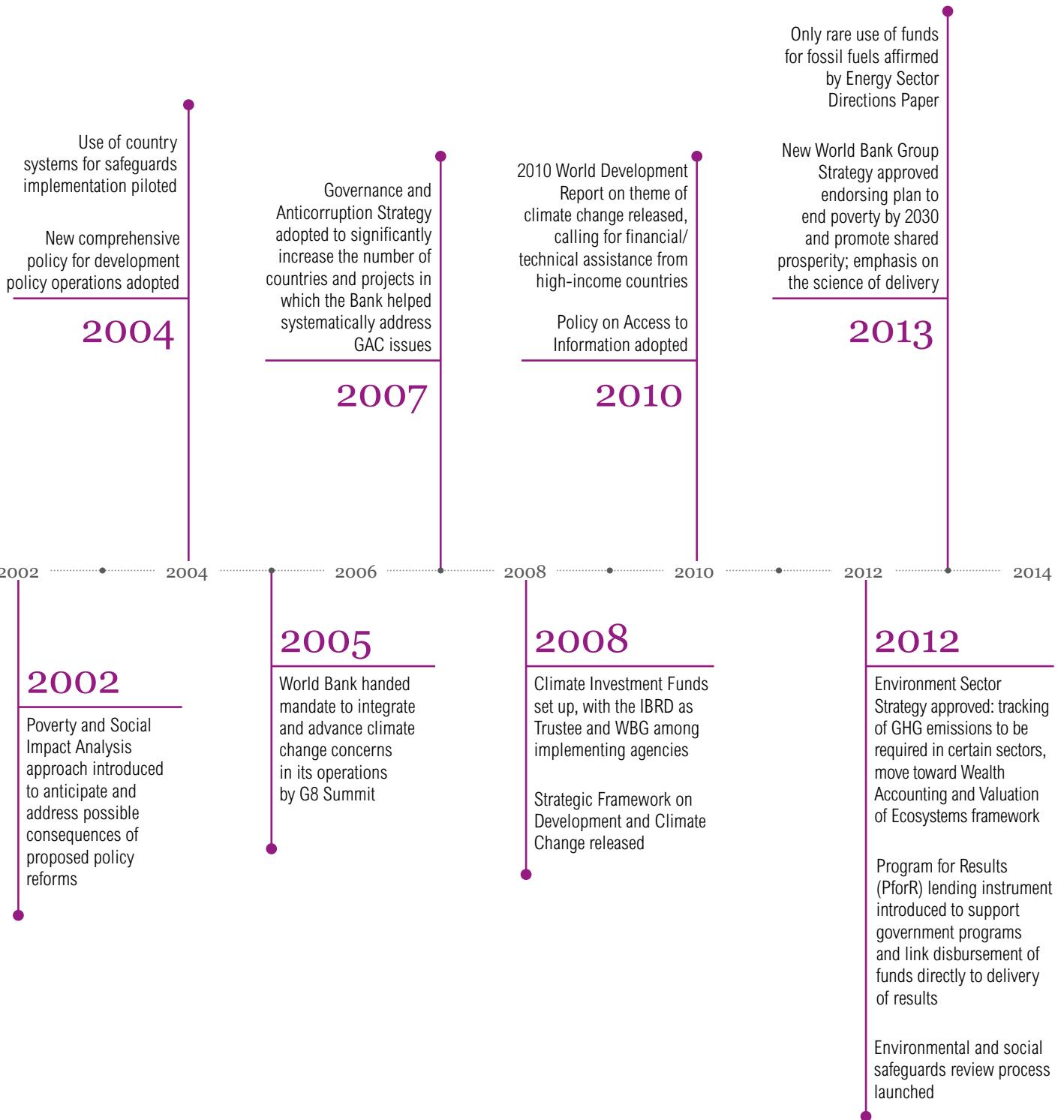
Areas where WRI’s findings align with IEG findings are highlighted throughout this report. The report also references similar World Bank portfolio reviews conducted by civil society organizations and donor countries.

This report is targeted at World Bank management and staff aiming to understand how to design successful projects. Secondary audiences include national governments, development finance institutions, and civil society organizations. National governments and development finance institutions can use the assessment framework to guide the incorporation of sustainable development concepts and effective governance into their own development plans. Civil society organizations can use the findings to help tailor their efforts to encourage the World Bank and other development financiers to shift their investment portfolios to more sustainable activities and help strengthen recipient countries’ institutions and governance practices.

Figure 1 | **Timeline of Key World Bank Sustainable Development and Governance Strategies and Policies**







## BOX 2 | LIMITATIONS OF THE FRAMEWORK

The assessment relied on a subjective evaluation of project documents against the indicators in the framework. However, each response of “yes,” “no,” or “somewhat” is backed up with a more nuanced qualitative assessment.

For the assessment, the authors only reviewed publicly available documents. Some relevant information could be outside the public purview or omitted from the assessed documents. The authors did not conduct supplementary research on the assessed projects, although additional insights on fourteen projects were obtained from task team leaders who responded to requests for feedback (see Annex 1 for more information on research methodology). Any changes to projects since the information was collected will not be reflected in the assessments.

The specific contexts and differences among projects are reflected in the individual qualitative assessments. The authors recognize that some aspects of the framework may be more relevant to certain projects than others. The framework should not be viewed as a scorecard to rank projects. Furthermore, the assessment does not account for project implementation, which would require a different research framing and approach.

Although this assessment addresses the World Bank’s approach to project design, the authors recognize that client countries also contribute to the design of projects, often working closely with World Bank staff. The analysis and findings should therefore be viewed as elements that make up a project, not a complete accounting of all considerations.

The use of a randomly selected sample of projects provides a high degree of confidence that the results are representative of the World Bank’s portfolio during the study period. Nonetheless, the sampled subset of projects is not meant to be an exact stand-in for the portfolio (see Annex 2 for representativeness information).

This report is organized in four sections, including the introduction (Section I). Section II sets out the assessment framework, including the specific indicators the authors used in assessing the sample projects. (A list of assessed projects appears in the annex.) As with other studies of this nature, there are several limitations to the approach employed here (see Box 2).

Section III presents the findings from the analysis of the sample portfolio. The results are clustered into four broad categories of inquiry:

- Vulnerable populations
- Environmental and social risks
- Climate change
- Client-country governance

Using examples of projects in the sample portfolio, the report highlights instances where project plans sufficiently address the framework indicators, and instances where they do not.

Section IV reviews the implications of the findings for the World Bank’s operations, and offers ten recommendations for how the World Bank can better address elements of sustainability and governance in its project plans. To make the recommendations most relevant to World Bank management, they are tied to specific stages of the World Bank’s project process. The recommendations are informed by a review of relevant World Bank guidance documents, operational policies and procedures, evaluations, and strategies. This review enabled the authors to pinpoint where the findings of the assessments were most relevant. Interviews with current and former World Bank staff also support the recommendations. World Bank staff participated in the review process for this report.











## SECTION II

# THE ASSESSMENT FRAMEWORK

The authors developed a framework with eighteen indicators designed to assess project plans in four areas relevant to sustainable development and effective governance. These indicators were used to assess a sample of sixty projects approved between January 2012 and June 2013.

The authors developed the assessment framework with input from WRI experts. The framework includes eighteen indicators designed to assess project plans in four areas relevant to sustainable development and client-country governance: (1) vulnerable populations, (2) social and environmental risks, (3) climate change, and (4) client-country governance (Table 1). These indicators were used to assess a sample of sixty projects that the World Bank Board of Executive Directors approved between January 2012 and June 2013.

The sixty assessed projects were selected from sectors considered relevant to the scope of the analysis. The authors ensured that the projects selected for evaluation were representative of the regions and thematic areas in the overall portfolio during the same period. (For a full explanation of how projects were selected and randomized, see Annex 1. See Annex 2 for an explanation of how projects are representative of the overall 2012–13 portfolio.)

The authors summarized each project’s treatment of the framework indicators in a brief narrative,

Table 1 | **Categories and Indicators in Framework**

CATEGORY	ASSESSMENT FRAMEWORK INDICATORS
<b>Vulnerable Populations</b>	<ul style="list-style-type: none"> <li>1.1 Is this engagement explicitly targeting vulnerable populations, consistent with country development priorities?</li> <li>1.2 Is this engagement going to result in access to and improvement of essential services for vulnerable populations?</li> <li>1.3 Is this engagement going to result in access to and improvement of economic opportunities for vulnerable populations?</li> </ul>
<b>Environmental and Social Risks</b>	<ul style="list-style-type: none"> <li>2.1 Has this engagement undergone an environmental and social assessment prior to approval, including consultations with affected stakeholders?</li> <li>2.2 Does this engagement include a plan for responding to the identified environmental and social risks?</li> <li>2.3 Does this engagement provide project-specific avenues for affected communities to seek justice if adversely affected?</li> </ul>
<b>Climate Change</b>	<ul style="list-style-type: none"> <li>3.1 Has there been an assessment of likely GHG emissions, relative to a baseline?</li> <li>3.2 Have alternative projects been considered from a GHG mitigation perspective; if so, what are they?</li> <li>3.3 Have actions been taken to mitigate GHG emissions through this engagement, including through the use of concessional climate finance; if so, what are they?</li> <li>3.4 Has there been an assessment of vulnerability to and risk from climate change impacts?</li> <li>3.5 Have actions been taken to address the identified risks from climate change impacts, including through the use of concessional climate finance; if so, what are they?</li> </ul>
<b>Client-Country Governance</b>	<ul style="list-style-type: none"> <li>4.1 Is this engagement embedded in a long-term integrated sustainable development plan or strategy?</li> <li>4.2 Was this engagement selected from a range of options considered and prioritized in the plan?</li> <li>4.3 Does the engagement support or consider the adequacy of support for such integrated plans?</li> <li>4.4 Does the engagement consider the adequacy of enabling policies/regulations?</li> <li>4.5 Does the engagement consider the adequacy of institutions and governance arrangements at various levels, and seek to ensure that the deficiencies are addressed?</li> <li>4.6 Does the engagement consider and seek to address prevalent market failures and distortions?</li> <li>4.7 Does the engagement promote transparency and inclusion in implementation decision making?</li> </ul>



along with a “yes,” “no,” or “somewhat” response, in order to capture both qualitative and quantitative information (see Annex 1 for a full explanation of how projects were scored and Annex 4 for the coded results matrix, showing how each project was scored against the indicators). The resulting assessment profiles for each project provide the data underpinning the rest of the analysis. Annex 3 lists the assessed projects.

## Assessed indicators of sustainable development

The assessment framework evaluates some of the economic and social dimensions of sustainable development through questions that determine whether projects identify and target vulnerable populations (Table 1, Question 1.1), particularly low-income people, but also women and children, ethnic minorities and indigenous groups, and other groups relevant to a particular context. Questions addressing vulnerable populations also evaluate whether the project identifies how it intends to improve access to and the quality of economic opportunities for these groups (1.3).

The framework evaluates the social dimension of sustainable development in three ways: (1) it assesses whether the project intends to advance access to and improve essential services for vulnerable populations (1.2); (2) whether affected communities are safeguarded from potential harm from project activities (2.1–2.2); and (3) whether affected communities can seek recourse if they are harmed (2.3).

The environmental dimension is evaluated by assessing whether the environment is safeguarded from potential harm caused by project activities (2.1–2.2).

Questions 2.1–2.3 relate to how projects assess and integrate environmental and social risks in project design, which would occur primarily through the World Bank’s safeguard policies. Question 2.3 asks about grievance redress mechanisms, which are not part of an existing World Bank safeguard policy (World Bank 2012b). A detailed assessment of safeguard instruments and policies would include supervision and implementation follow-up, which are not addressed in this report.<sup>6</sup> The World Bank’s safeguards are governed by Operational Policies

## BOX 3 | ENVIRONMENTAL ASSESSMENT PROJECT CATEGORIES

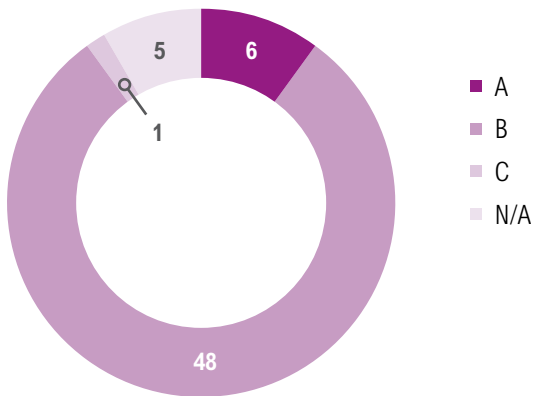
The World Bank’s Operational Policy on Environmental Assessment (OP 4.01) categorizes projects according to their likely environmental impacts:

- Category A: Includes projects likely to have significant adverse environmental impacts and over an area broader than the sites or facilities subject to physical works.
- Category B: Includes projects with less adverse impacts than category A projects and likely site-specific impacts; the scope of environmental assessment (EA) for a category B project may vary from project to project, but is narrower than that of category A projects.
- Category C: Includes projects likely to have minimal or no adverse impacts; no further action on an EA is needed.
- Category FI: Involves investment of World Bank funds through a financial intermediary in subprojects; in proposed subprojects that may result in adverse environmental impacts, sub-borrowers should carry out the appropriate EA.

The majority of the assessed projects (80 percent) are classified as category B (see figure 2). Development policy operations (DPOs) are not categorized in this way and show as “not applicable” in the figure. Only 10 percent of projects in the study were category A, which mirrors the overall World Bank lending pattern, where only 9 percent of lending was classified as category A between FY1999–2010 (World Bank/IEG 2012b). The sampling procedure used here excluded many sectors (such as health or education), where it could be assumed there were a large number of low-impact, category C projects (see Annex 1 for more information on project sampling procedures).<sup>7</sup>

(OPs) and include an Environmental Assessment (OP 4.01), which categorizes projects based on their likely environmental impacts and defines the steps that project leads must take to avoid or reduce those impacts (see Box 3 for further details).<sup>8</sup>

Figure 2 | **Projects by Environmental Assessment Category**



The analysis here does not focus on individual issues that may be regarded as integral to a sustainability analysis, such as biodiversity. However, climate change is closely evaluated. This reflects its salience as a cross-cutting thematic area in the new World Bank strategy and as an integral part of the shared prosperity goal. Climate change dimensions were evaluated by examining whether and how projects assessed potential GHG impacts and, from an adaptation perspective, whether and how the project assessed risks arising from climate change impacts. The questions related to GHG emissions ask whether

likely emissions were assessed relative to a baseline (3.1), whether alternative projects were considered (3.2), and whether actions have been taken to mitigate the emissions (3.3). The questions related to climate change risks ask whether vulnerabilities to and risks from climate change impacts have been assessed (3.4), and whether appropriate actions have been taken to address identified risks (3.5).

### Assessed indicators of client-country governance

The governance indicators included in the assessment framework focus on the extent to which projects take into account the institutional and governance context in client countries. Indicators include the presence of an integrated planning process; consideration of relevant policy, regulatory, and institutional enabling conditions; and the promotion of transparency and inclusion in decision making. These governance elements generally align with the seven core principles of effective governance outlined in the World Bank’s updated governance and anticorruption strategy (World Bank 2012c).

Where a country has an integrated sustainable development plan or strategy, the assessment framework asks whether the proposed project aligns with such plans or strategies (4.1), and whether the project was selected from a range of alternatives considered and prioritized in the plans (4.2). Where such plans





do not exist, the governance indicators ask whether the project supports the development of such plans, or considers the adequacy of such support by other entities or projects (4.3).

Since enabling policies and regulations are critical to the success of any project, each project is also assessed for its review of such policies and regulations. Where this review is absent, a project is assessed on whether it mentions other avenues that considered and reviewed enabling policies and regulations, such as technical assistance accompanying project investments (4.4). Similarly, the project’s consideration of the adequacy of institutions and governance arrangements at various levels—national, subnational, and local—is assessed (4.5). Finally, the framework includes questions that assess attention to market failures and distortions (4.6), and the extent to which projects are designed in a transparent and inclusive manner (4.7).

#### Characteristics of the assessed projects

Thirty projects assessed for this report (50 percent) were funded through the International Development Association (IDA) lending arm, which lends money to the world’s poorest countries at highly concessional rates. Twenty projects (33.3 percent of the assessment) were funded through the Inter-

Figure 3 | **Regional Distribution of Assessed Projects**

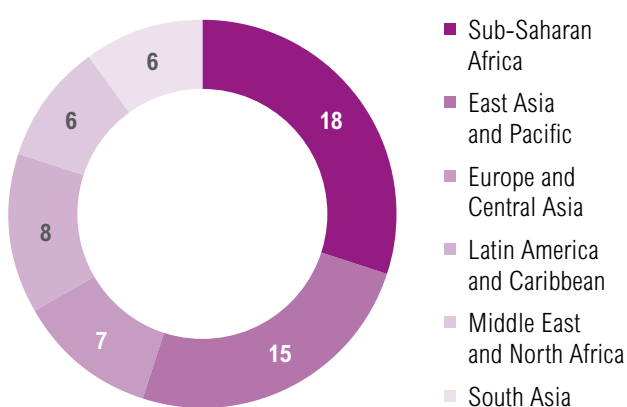
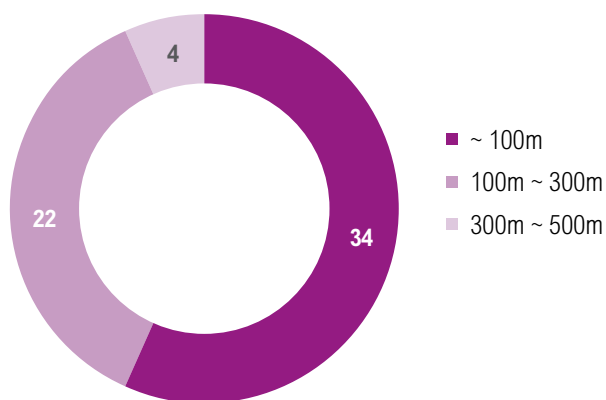


Figure 4 | **Project Value Distribution**



national Bank for Reconstruction and Development (IBRD), which works predominantly with middle-income countries and raises most of its funds to lend through financial markets. Finally, ten projects (16.7 percent of the assessment) were categorized as “other.” These projects originated from the Climate Investment Funds or Global Environment Facility.

Figures 3 and 4 show the regional distribution of the assessed projects, along with the distribution of projects by the value of World Bank investment. Because projects were selected through a process that weighted for the actual regional distribution of World Bank-approved projects per quarter, there is a good geographic mix.

Sub-Saharan Africa (30 percent) and East Asia and the Pacific (25 percent of the assessed projects) make up the two largest represented regions. In terms of project value distribution, most of the assessed projects (56 percent) represented investments of less than \$100 million.



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### SECTION III

# KEY FINDINGS

Using examples from the sample portfolio of projects to highlight instances where project plans sufficiently address the framework indicators and instances where they do not reveals a number of important lessons for the improvement of project plans. Summary statistics aid this effort.

Four broad findings emerged from the project assessments. First, projects have generally targeted relevant vulnerable populations but need to take additional steps to ensure that benefits reach those in most need. Second, projects are mostly addressing environmental and social risk in their design stage. Third, the integration of climate change considerations into project designs is weak. Fourth, consideration of the client-country governance element in project design requires significant improvement.

### Vulnerable populations are generally targeted, but their needs are not always prioritized

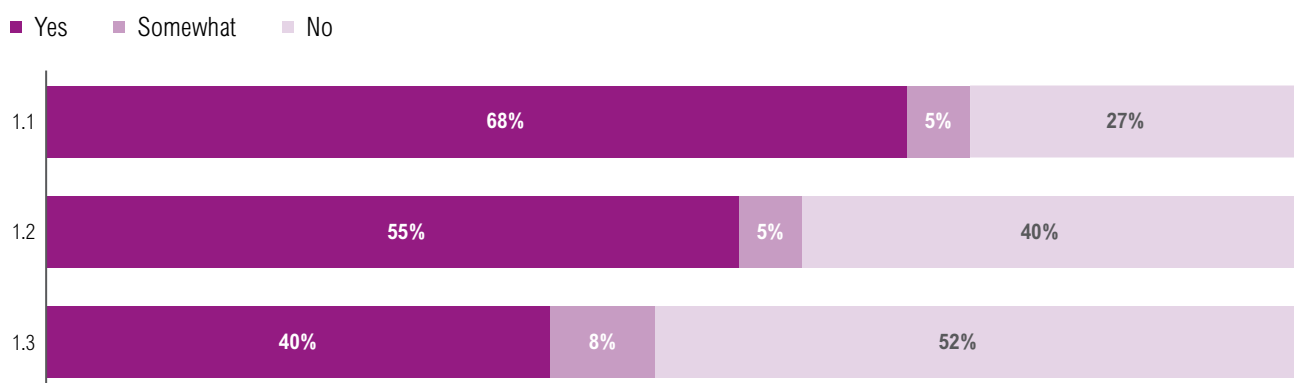
Over two-thirds of the evaluated World Bank projects explicitly identified and targeted vulnerable populations for project outcomes in project appraisal documents (Figure 5). This is likely a result of the clear mandate in the operational policy for poverty reduction (OP 1.00), which identifies “lack of opportunities (including capabilities), lack of voice and representation, and vulnerability to shocks” as drivers of poverty. OP 1.00 requires the World Bank to support actions to “increase opportunity, enhance empowerment, and strengthen security,” while promoting broad-based economic growth.

While projects generally target the poor and vulnerable for project outcomes, some projects are unclear about how they will specifically improve the well-being of the poor, measured in terms of essential services and economic opportunities. Only 40 to 55 percent of projects demonstrated that they address these specific needs of the target populations.

#### Targeting vulnerable populations

In some cases, targeting of vulnerable populations for project outcomes is evident in the selection of the project site. In the Community Action for Nutrition Project<sup>9</sup> in Nepal, the target districts were narrowed based on population size as well as poverty and stunting levels. Among those districts, a quarter of the most disadvantaged villages were targeted for project activities based on criteria including: the adequacy of food supplies, the presence of marginalized groups, access to basic services, the absence of representation of marginalized groups in decision making, and the prevalence of gender discrimination. Similarly, the Pernambuco Rural Economic Inclusion Project in Brazil targeted its activities at small-scale rural agricultural producers, who were identified as vulnerable due to low agricultural productivity in an economically deprived region of the country.

Figure 5 | **Vulnerable Populations**



1.1 Is this engagement explicitly targeting vulnerable populations, consistent with country development priorities?

1.2 Is this engagement going to result in access to and improvement of essential services for vulnerable populations?

1.3 Is this engagement going to result in access to and improvement of economic opportunities for vulnerable populations?



By contrast, the Second Road and Safety Improvement Project in Ukraine did not demonstrate how vulnerable groups would specifically benefit from the investment; beneficiaries were broadly described as road users and the public at large. Roughly a quarter of the assessed projects similarly defined project beneficiaries widely without specifically demonstrating whether vulnerable populations were among the groups expected to benefit from project activities.

A useful approach for targeting assistance to vulnerable groups is to respond to demand. The Water Resources Development Project in Zambia considered local community demand in the subproject site selection process. Promoting women's ability to participate in water-user associations was also a specific planned outcome for the project. These measures are expected to allow a traditionally vulnerable group in project areas to prioritize the small-scale water resource investments that are most important for their livelihoods, and to participate in decision-making processes. Both elements, community-led prioritization and participation, also help ensure the long-term viability of the overall project. Similarly, with the Scaling-up Participatory Sustainable Forest Management Project in Lao PDR, ethnic minorities and women will receive priority attention in project design and activities through the project's consultative and participatory processes.

### Improving access to essential services and economic opportunities

Projects show mixed results in articulating how they will enhance vulnerable groups' access to services, economic opportunities, or both. The Second Rural Access and Mobility Project in Nigeria demonstrated how investments in rural road infrastructure can be prioritized in a pro-poor manner. This was accomplished by using the share of rural residents, disaggregated by gender, with access to all-weather roads as a project outcome indicator. An intermediate result indicator for this project was the proportion of work days generated by routine road maintenance activities that are performed by vulnerable groups (women and youth). Similarly, the Second Rural Alliances Project in Bolivia tracked the increase in the average volume of sales by rural producers' alliances as well as the number of rural households in alliances receiving

financing support. The project context describes the disproportionate poverty faced by rural areas of the country. The project also conducted an economic analysis that showed how the average alliance plan supports the net income per producer family.

By contrast, the Electricity Sector Support Project in Senegal neither indicated how it will improve access to electricity for a range of vulnerable groups in its results framework, nor how it will improve livelihoods. Instead, it only sought to measure the impact as the quantity of electricity generated and distributed, and revenues generated by the utility. Similarly, the Second Regional Development Project in Georgia sought to rehabilitate municipal infrastructure to promote tourism and attract private infrastructure. However, the indicators tracking project activities that will rehabilitate municipal infrastructure are not disaggregated by poverty or vulnerability, leaving it unclear whether project benefits are for tourists or residents. The assumption that project benefits would "trickle-down" on their own to beneficiaries was a common theme among the projects that were not able to demonstrate how the needs of vulnerable groups would be met.

WRI's assessment suggests that 68 percent of the projects were designed well in terms of targeting vulnerable groups. However, the remaining 32 percent — nearly a third of the projects assessed — are not specifically prioritizing and addressing the needs of these groups. With the World Bank's renewed focus on shared prosperity, it is imperative that projects demonstrate benefits that reach those in need. Some projects are already doing this with extensive and rigorous detail; it is feasible to achieve the same level of rigor in other projects, such as the Second Road and Safety Improvement Project in Ukraine, which fell short on this measure.

Gaps in addressing the basic needs of vulnerable groups in the reviewed project plans often result from the absence of data specific to those groups. This results in the inadequate integration of poverty and vulnerability into project indicators. This finding is echoed by a Human Rights Watch report released in July 2013. The report recommends that the World Bank strengthen data collection and analysis in projects to assess potential discrimination (including gender, demographic group, locale, and disability), and put in place systems for mea-

suring results that determine the extent to which projects reach marginalized communities and incorporate their inputs and perspectives (Human Rights Watch 2013).

## Most projects assess environmental and social risks during the design stage

In most of the assessed projects, potential environmental and social risks arising from project activities were addressed at the design stage, through the application of relevant safeguard policies.

However, certain issues related to environmental and social risk—such as redress mechanisms and how projects should account for global externalities when designing environmental assessments—require further clarification.

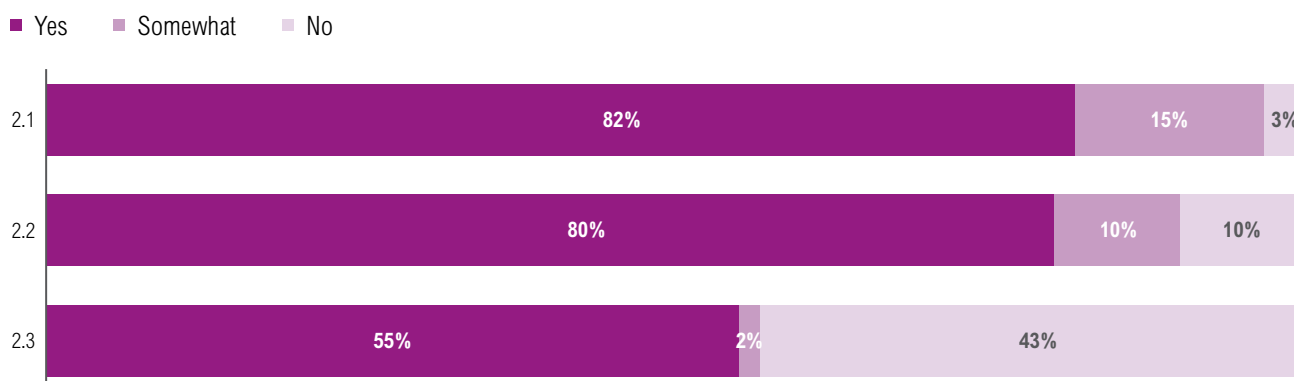
### Assessments and consultations

Most projects (82 percent) undertook environmental and social assessments (Figure 6). This includes consultations with stakeholders, although it is difficult to assess the comprehensiveness of these consultations from project design documents alone. Some, like the Xinjiang Yining Urban Transport Improvement Project in China, affect indigenous peoples (triggering OP 4.10), which led to the creation of an Ethnic Minority Development Plan. This plan called for the

project to set up a participatory framework for local communities to ensure their voluntary engagement in project design and implementation. In the Emergency Infrastructure Preservation & Vulnerability Reduction Project in Madagascar, the environmental and social assessment was less clear. The project comprised many subprojects carried out by local implementing agencies, all of which were required to plan public consultations. It is unclear whether the umbrella project itself was subject to consultative processes prior to implementation, which would have allowed stakeholders to develop an understanding of the entire engagement.

The operational policy governing environmental assessments (OP 4.01) states that these assessments should take into account “transboundary and global environmental aspects,” which includes climate change. The Forests and Climate Change Project in Mexico provides an example of a project that considered climate change in its EA. The climate change-related impact of this Mexican project, which aimed to reduce deforestation and forest degradation through sustainable forest management, was expected to be positive. By contrast, the Road Rehabilitation and Safety Project in Serbia did not mention any potential global environmental impacts—positive or negative—in the outline of

Figure 6 | Environmental and Social Risks



2.1 Has this engagement undergone an environmental and social assessment prior to approval, including consultations with affected stakeholders?

2.2 Does this engagement include a plan for responding to the identified environmental and social risks?

2.3 Does this engagement provide project-specific avenues for affected communities to seek justice if adversely affected?



its EA. The EA for the Serbian project stated that the road rehabilitation work would have minor and temporary impacts on the local environment, but does not appear to have considered possible global impacts of carbon dioxide emissions due to increased vehicle traffic.

### Responding to risks

Eighty percent of assessed projects included a plan for addressing identified risks (Figure 6). The World Bank's safeguard policies also guide the mitigation of identified environmental and social risks. One-fifth of the assessed projects did not incorporate a risk management plan. Projects with relatively less adverse and likely site-specific impacts (environmental assessment category B) make up 80 percent of the projects in this assessment (Figure 2); they are not always required to develop a risk management plan with regard to their environmental impact. One project in the assessment—the Advanced Electricity Metering Project in Uzbekistan—is a category C project, meaning minimal or no adverse environmental impacts were foreseen.

Five projects in the sample of assessed projects are development policy operations (DPOs), for which the World Bank has limited mechanisms to assess social or environmental risks. For these investments, the operational policy governing development policy lending (OP 8.60) states that the World

Bank is responsible for determining whether the operation is likely to have significant consequences for vulnerable people or the environment. The First Power and Gas Sector DPO in Tanzania provides an example of such a determination. In that case, the World Bank identified the possibility of environmental risks associated with offshore gas finds, and found the management capacity of government institutions to be lacking. Steps to ameliorate the situation, however, were not outlined in the project document. There are no clear standards for how to assess and react to social and environmental risks associated with DPOs; as a result, little effort is usually dedicated to investigating the true impacts of DPOs (Larsen and Ballesteros 2013). Civil society groups have raised concerns over how safeguard mechanisms operate in DPOs and are urging that DPOs should be included in the ongoing World Bank Group safeguards review process (Bank Information Center and Global Witness 2013).

The lack of a risk management plan prior to implementation may also be explained by an assessment that indicated no major adverse impacts. This was the case in the Kafue Town-Muzuma-Victoria Falls Regional Transmission Line Reinforcement Project in Zambia. In this project, if it is determined during implementation that individual or household assets will be negatively impacted, a resettlement action plan will be prepared.



## Grievance redress mechanisms

The use of grievance redress mechanisms is mandated if the operational policies for indigenous peoples (OP 4.10) and involuntary resettlement (OP 4.12) are triggered (World Bank, no date a). For just under half the projects approved during the assessment period, project design documents did not indicate how communities could access project-specific redress mechanisms if adversely affected by project activities. Such project-specific mechanisms are not always required, and any affected party has recourse to the World Bank's Inspection Panel, even when other grievance redress options are unavailable. However, information on the options available to affected parties seeking redress for their grievances is not adequately presented in the design documents for projects in this group. The inclusion of such information in publicly available documents is essential for affected parties to easily understand their redress options.

The Remote Rural Communities Development Project in Bhutan demonstrates how a project can provide communities with clear channels for recourse while also taking innovative steps to build upon country systems. This project specifies that indigenous dispute resolution mechanisms, based primarily on negotiations with aggrieved parties and community meetings, will be used but made more systematic. By contrast, the Abidjan-Lagos Trade and Transport Facilitation Program, which requires large-scale road construction and rehabilitation, does not specify how affected groups can seek recourse for any grievances, and does not reference Côte d'Ivoire or Nigeria's (the two countries where project activities will take place) domestic processes. While the project triggered only the involuntary resettlement policy (OP 4.12)—one of the two safeguard policies required for an official grievance redress mechanism—the absence of any information on how affected communities can seek recourse for their grievances should be clarified.

These findings show that the majority of projects have included project design elements that address environmental and social risks. Further elaboration of aspects of the safeguards development process—such as when projects should take global environmental considerations into account when designing EAs, how DPOs should respond to identified risks, and how communities can seek recourse if adversely affected—will strengthen the World Bank's safeguards design process.

## The integration of climate change considerations is particularly weak

The vast majority of the World Bank's investments approved between January 2012 and June 2013 and included in this assessment do not estimate the GHG emissions from project activities (88 percent, see Figure 7) or assess the risks arising from the impacts of climate change (75 percent, see Figure 8). Without an explicit mandate, it is perhaps not surprising that projects do not take steps to mitigate GHG emissions.<sup>10</sup> Furthermore, countries that see GHG emissions as a global externality do not have an incentive to demand that projects take mitigation action. Nonetheless, the failure to incorporate the risks associated with climate change impacts into project design is surprising, given that most of the World Bank's client countries are increasingly exposed—and vulnerable to—these risks. Only one project in the sample presented evidence that alternative GHG mitigation options were considered (the Climate Change Development Policy operation in Vietnam). Viewed as such, this evidence suggests that project leaders are not integrating climate change considerations into project designs.

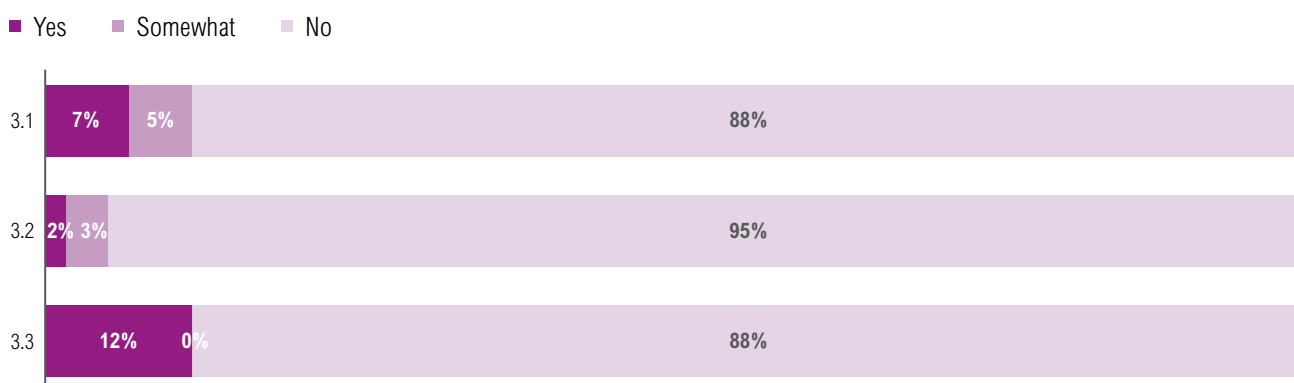
The World Bank recently introduced a climate finance tracking system to report on its lending commitments for climate change activities (World Bank 2012d).<sup>11</sup> Only four of the sixty projects assessed here (two each from Q3 2012 and Q2 2013) reported any climate cobenefits using this climate finance tracking system. It is likely that the number of projects coded by the World Bank will increase further as this process is retroactively applied to FY2011–12 projects.

### Assessments of climate change

#### GHG emissions

The majority of examined projects (88 percent) do not include any estimates on GHG emissions (Figure 7). There are a few notable exceptions where projects did conduct ex-ante<sup>12</sup> assessments of GHG impacts relative to a baseline, or included plans for such assessments in project design. For example, the São Paulo Sustainable Transport Project in Brazil conducted an emissions analysis covering CO<sub>2</sub> emissions from road rehabilitation and maintenance works as well as projected vehicle emissions on the rehabilitated road. Similarly, in the first two years of the Forests and Climate Change Project in Mexico, a

Figure 7 | GHG Emissions



3.1 Has there been an assessment of likely GHG emissions, relative to a baseline?

3.2 Have alternative projects been considered from a GHG mitigation perspective; if so, what are they?

3.3 Have actions been taken to mitigate GHG emissions through this engagement, including through the use of concessional climate finance; if so, what are they?

baseline and a monitoring system for net deforestation and forest degradation in selected landscapes is to be developed and tested. The baseline would be calculated on the basis of current trends toward deforestation and forest degradation. The indicator tracking the achievement of this result area would be measured in equivalent CO<sub>2</sub> emissions, if possible, or in number of hectares as a proxy. Given the absence of a formal World Bank mandate or guidance on such assessments, the project appraisal documents, in both instances, point to leadership by the governments of Brazil and Mexico. The governments' priorities in developing low-carbon transport and sustainably managed forest resources appear to have driven these assessments.

There are some projects that claim to reduce GHG emissions through the course of project activities, without documenting any ex-ante GHG emissions assessments in the project appraisal documents. For example, the Rural Electrification and Renewable Energy Development II (RERED II) Project in Bangladesh does not include baseline data on emissions in the sectors of intervention in either the environmental assessment or project appraisal documents. Without this information, it is difficult to verify estimates—included in the economic and

financial analysis—indicating that the project will result in annual emissions reductions of approximately 95,000 tons of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e). Additionally, the results framework does not include indicators for monitoring actual emissions reductions, focusing instead on generation capacity or number of units distributed, which indicates that emissions reductions may not be monitored through the life of the project.

### Climate vulnerabilities and risks

The World Bank appears better at assessing vulnerabilities and potential risks associated with climate change impacts than at assessing GHG impacts, but only 20 percent of projects conduct these types of assessments (Figure 8). This finding is consistent with IEG findings from 2012 that the World Bank “has not yet put in place an operational system that would identify and mitigate climate [change] risks at the project level” and “[c]limate risk screening in both institutions [World Bank and IFC] is ad hoc” (World Bank/IEG 2012a). Without assessing the possible risks of climate change impacts on poor and vulnerable people, many of the World Bank's efforts in poverty reduction and human development will be in vain.

Figure 8 | Risks from the Impacts of Climate Change



3.4 Has there been an assessment of vulnerability to and risk from climate change impacts?

3.5 Have actions been taken to address the identified risks from climate change impacts, including through the use of concessional climate finance; if so, what are they?

Among the reviewed projects, a notable exception is the regional Mekong Integrated Water Resources Management Project. In this project, not only were the risks associated with climate change impacts assessed, but the project also formed part of a strategic and cohesive long-term vision for the management of water resources in the region. The first phase of the project supports the development of a risk model framework for the Lower Mekong Basin, which includes a database on the hydrology of the region incorporating climate change and water resources data. In the second phase, the project will include flood and drought risk monitoring and assessments in the basin, upgrading of the hydro-meteorological network, and support for regional disaster risk analysis.

Some projects included components that are designed to strengthen communities’ resilience to disasters, but there is no information in the project design documents to suggest they specifically assessed climate change-related risks. For example, the Emergency Infrastructure Renewal Project in Cote d’Ivoire will carry out the rehabilitation of urban drainage and provision of flood protection services, which could enhance resilience to climate change impacts. However, the project design documents did not include any assessments that could shed light on the project area’s vulnerability to climate change. In a similar situation, the Emergency Infrastructure Preservation & Vulnerability Reduction Project in Madagascar gave no indication

that climate change-related risks had been assessed or would be before the project’s activities—which include applying “climate-proofing construction norms” and rehabilitating national hydrometeorological monitoring systems—commenced.

#### Actions taken to address emissions and climate risks

##### Mitigation

Among the assessed projects, actions to mitigate or reduce GHG emissions only appear to be taken when climate finance is available, or foreseen. Eight projects (13 percent) took some kind of action to mitigate emissions and considered using climate finance, including carbon finance, in order to improve the financial profile of project components reducing emissions. For example, the Electricity Network Reinforcement and Expansion Project in Ethiopia estimated it could generate \$1 million annually by selling the credits generated by project-supported activities—such as improved cook stoves, solar home systems, and biogas plants—through commercial carbon purchase contracts with the support of the World Bank’s Carbon Initiative for Development financing instrument. However, the commensurate ex-ante assessments and baseline necessary to demonstrate the viability of such reductions were not included or referenced in the project’s design document. In a similar example, the Climate Change Development Policy loan in Vietnam directly targets climate action by strengthening the country’s institutions to channel domestic



and international sources of climate finance. This operation estimates emissions reductions totaling 1.5 million tons of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e) associated with the policies supported by the investment. However, it does not provide further information on the country's emissions profile, or how the emissions reductions were calculated, admittedly a difficult task for a policy investment.

## Adaptation

One-quarter of the assessed projects include measures to adapt to or address identified risks arising from climate change impacts. However, only three projects made use of climate finance to address these impacts and all were from the Climate Investment Fund's Pilot Program for Climate Resilience (PPCR). This shows that the scope of new and additional resources to augment traditional sources of development finance to help countries adapt to climate change is still limited to a small subset of the assessed projects. The Community Action Project for Climate Resilience in Niger seeks to improve the resilience of populations and production systems to climate change in targeted communes. Similarly, the Second Phase of Strengthening Climate Resilience Project in Zambia also uses PPCR funds to assess mechanisms and gaps for Zambia to directly access global climate funds, as does a project in Samoa aimed at enhancing the climate resilience of a key coastal road.

A project that accounted for the impacts of climate change without using climate finance was the Metro Colombo Urban Development Project in Sri Lanka. Under the project, the boundary conditions of urban drainage models were defined to account for the estimated impacts of climate change through the application of updated Intergovernmental Panel on Climate Change data for the duration of the economic lifetime of the interventions. The project appraisal document explains the rationale for carrying out these activities as in line with best practice for projects of this size and sector.

A World Bank project in the urban development sector that did not take similar actions to account for the impacts of climate change was the Gansu Qingyang Urban Infrastructure Improvement Project in China. The project is designed to improve urban infrastructure in Qingyang municipality, partly by constructing and rehabilitating

drainage and sewer systems. Had these possible impacts been considered, the municipality could have accounted for potentially damaging climate change-related events and secured the development outcomes associated with the project. Similarly, a project from the sample in the transport sector, the Second Kerala State Transport Project in India, also failed to identify how infrastructure improvements carried out by the World Bank would be resilient to potentially harmful climate change-related events.

The patterns identified in these findings show that the World Bank has a significant distance to travel if it is to fully integrate climate change considerations into project design aspects. However, there are useful examples of projects taking steps in this area—whether through the initiative of team leaders, clients, or country circumstances—that can lead the way for other similar projects.

## Consideration of client-country governance could be significantly improved

Although several high-level institute-wide strategies require the World Bank to consider client-country governance contexts, the performance of the assessed projects on the governance indicators could be improved.<sup>13</sup> Less than half of the surveyed investments could demonstrate that they were strategically embedded in the client countries' long-term sustainable development plans, or that they gave due consideration to enabling policies and regulations relevant to the proposed intervention. Even fewer projects (32–35 percent) demonstrated that they considered other relevant governance factors, such as alignment with strategic plans that present a range of options, the adequacy of institutions relevant to the success of the intervention, and the consideration of market failures and distortions that might have an impact on the investment. These patterns suggest that the World Bank needs to improve the consideration of the governance context relevant to its interventions, and articulate the risks and mitigation measures to ensure the success of its investments. In failing to do so, it risks adversely affecting the effectiveness of its investments; a donor government raised a similar argument in a 2013 evaluation of World Bank policies and funding (Government of the Netherlands, Ministry of Foreign Affairs 2013).

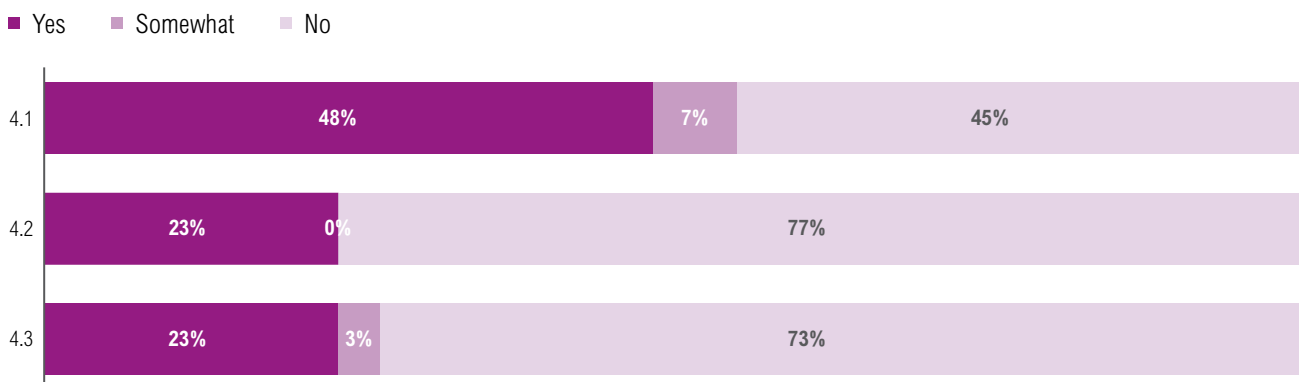
## Strategic context

Less than half (48 percent) of the assessed projects were embedded in integrated sustainable development plans (Figure 9). This was judged from the mention of such plans in the project documents, as well as how the project was aligned with the priorities laid out in those plans. To ensure that World Bank investments reflect and align with national and subnational development priorities, projects should take into account integrated sustainable development plans where they are present. An example of a project that is embedded in such a plan is the Jiangxi Poyang Lake Basin and Ecological Economic Zone Small Town Development Project in China. The project seeks to finance prioritized investments in municipalities that link their economic development plans to a Regional-level Master Plan (2010–15) for the Poyang Lake Ecological Economic Development Zone. This regional-level plan is framed around seven strategic regional development objectives, including economic, social, and environmental considerations. Similarly, the Disaster Risk Management Project in Honduras ensured that project activities to strengthen national and local disaster risk management capacity drew from the country’s Vision for 2010–38, as well as the National Plan for 2010–22. Both plans are explicitly multisectoral and address

the links between environmental degradation, high poverty levels, and increased vulnerability to natural disasters.

By contrast, the Labor Intensive Public Works Project in Yemen is aligned with the country’s Fourth Socio-economic Development and Poverty Reduction Plan (2011–15), which emphasizes access to essential services and employment without addressing other relevant drivers of development in Yemen, including conflict and resource scarcity (Al-Dawsari 2012). The project does not indicate whether it considered government priorities or strategies in these areas. The project documentation mentions that a forthcoming two-year post-conflict emergency economic recovery plan will replace the previous poverty reduction plan, but it is unclear how the project aligns with it or any other country strategy that takes a cross-sectoral view of social welfare. Similarly, a Road Rehabilitation and Maintenance Program in Uruguay does not appear to strategically place the World Bank investments in inland transport for the country into a wider social and environmental context by referencing a sustainable development planning process. Where one may not exist in the country, the engagement could have made efforts to highlight similar strategies or subsectoral plans that would together present an integrated perspective on road transport in the country.

Figure 9 | **Integrated Planning**



4.1 Is this engagement embedded in a long-term integrated sustainable development plan or strategy?

4.2 Was this engagement selected from a range of options considered and prioritized in the plan?

4.3 Does the engagement support or consider the adequacy of support for such integrated plans?

## Policy, regulatory, and institutional conditions

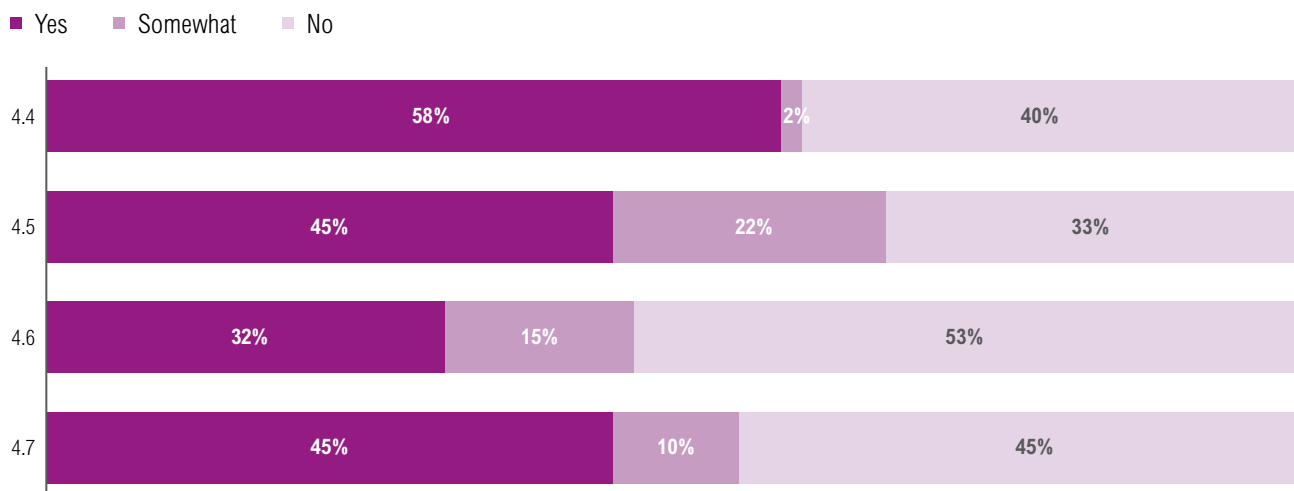
### Enabling policies/regulations

Fifty-eight percent of projects considered the adequacy of enabling policies and regulations (Figure 10). One such project was the Irrigation Development Project in Bosnia-Herzegovina. Rather than simply building infrastructure, the intervention included the development of legal and institutional regulations, investment strategies, capacity building, and stakeholder consultations as a way of transforming the institutional context for irrigation. In contrast, the Metro Colombo Urban Development Project in Sri Lanka and the Electricity Network Reinforcement and Expansion Project (ENREP) in Ethiopia did not adequately consider relevant policies and regulations. The project in Ethiopia specifically sought to develop the local market for renewable energy and energy efficient products, but included very little information on how policies and regulations could contribute to, or detract from, that effort.

### Institutional and governance arrangements

Less than a half of the assessed projects (45 percent) considered the adequacy of institutional and governance arrangements at the design stage (Figure 10). Consideration of the institutional context in countries can have major implications for the success or failure of projects. In its evaluation of the World Bank Group's assistance to fragile and conflict-affected states, the IEG found that "helping build legitimate and accountable state institutions is central to the World Bank Group's poverty reduction mission" (World Bank/IEG 2013). In some situations, such as in the National Community Driven Development Project in Myanmar, projects had to proceed in the absence of a fully realized and still evolving governance context. The United Nations Development Programme—which carries out a similar mission to the World Bank in providing development assistance—provides guidance to project leaders on institutional and context analyses when designing a project. These analyses can help

Figure 10 | Enabling Frameworks



4.4 Does the engagement consider the adequacy of enabling policies/regulations?

4.5 Does the engagement consider the adequacy of institutions and governance arrangements at various levels, and seek to ensure that the deficiencies are addressed?

4.6 Does the engagement consider and seek to address prevalent market failures and distortions?

4.7 Does the engagement promote transparency and inclusion in implementation decision making?



project leaders to understand local actors' incentives and to mitigate risks (World Bank/IEG 2013). It is unclear whether World Bank projects consistently deploy similar analytical rigor to understanding governance contexts in recipient countries.

The Rapid Response Development Policy Grant in Malawi was part of a rapid response program for the country and therefore was based on an urgent request by the recipient. The contextual information in the project appraisal document indicates several potential governance risks: a difficult working relationship between the previous government administration and donors, which was a factor in the build-up to a fiscal crisis in the country; a change in administration; and the need for heightened budgetary support after the political transition. The program document acknowledges that political risks could affect the projects. As a risk mitigation measure, the World Bank offered to undertake a detailed political economy analysis but only "on demand." Given the context, a political economy analysis, including a reading of various actors' incentives, would have helped the project leaders better consider and manage risks to the underlying governance conditions that may affect the investments. This is supported by an IEG finding in 2011, which stated that "the quality and coverage of political economy analysis in policy dialogue needs to show . . . systematic improvement" (World Bank/IEG 2011a).

By contrast, a project that considered underlying governance conditions in its design is the Livestock Development and Animal Health Project in Zambia. In the project documentation, a governance management framework identifies macro-level governance issues affecting the livestock and health sector, such as the presence of free and subsidized veterinary and livestock services, and the risk of elite capture of subgrants. The project leaders devised risk mitigation activities corresponding to each issue.

### **Consideration of market failures/distortions**

Just 32 percent of the assessed projects acknowledge market failure and economic distortionary concerns. The Third Solid Waste Sector Development Policy Loan in Morocco is an example of a project that documents how it intends to correct a market failure. The operation will support the government's efforts to regulate the plastic industry through the introduction of an "eco-tax." It is hoped that this tax will reduce waste, catalyze recycling or reuse value chains, and encourage industry to internalize some of the societal costs of plastic consumption.

In almost a fifth of the cases, however, the evidence on how market failures and distortions are addressed was mixed. For example, the National Program for Community Empowerment in Urban Areas Project in Indonesia will support income-



generating activities in communities through the use of revolving loan funds (RLFs). The failures of these RLFs in the past are discussed and a strategy going forward to enable their market-based sustainability is laid out—but only within the context of this program and its previous iteration. The program does not indicate how the RLFs will be integrated into the wider financial system for low-income communities. Such an indication would provide a more complete consideration of the market context for this program.

These findings suggest that the World Bank is not consistently considering and tackling client country shortcomings in governance in the design of its projects. IEG has found that the majority of World Bank projects focus their operational efforts more on the World Bank’s “own capacities, resources, and reputation as a development partner, than on strategic issues facing partner countries” (World Bank/IEG 2011a). This finding is evident from the continual use of project implementing units, with 57 percent of the assessed projects still using such arrangements to oversee their implementation despite a 2005 Guidance Note for Project Management calling for project implementing units to be phased out.<sup>14</sup>

Not all projects can respond to every governance need in their design, and considering client-country governance issues is a complex process that typically involves more actors than most investment projects. However, no project can ignore these considerations altogether during project design, and eventually, implementation. The consideration of these conditions does not imply that investments should not be made until conditions are perfect, but that investments can be improved with an appreciation and management of governance risks.









## SECTION IV

# IMPLICATIONS AND RECOMMENDATIONS FOR WORLD BANK POLICIES AND OPERATIONS

The World Bank can improve the way it designs projects such that they better address the needs of vulnerable populations, assess and address the risks arising from climate change, and pay closer attention to the underlying governance conditions necessary for the success of its investments. Recommendations developed here can help ensure that all projects strengthen their consideration of sustainability and governance issues.

The World Bank can do a better job of designing projects that support developing countries in their efforts to grow sustainably—economically, socially, and environmentally—and strengthen their governance systems and practices. Building on its past efforts, the World Bank can improve the way it designs projects such that they better address the needs of vulnerable populations, assess and address the risks arising from climate change, and pay closer attention to the underlying governance conditions necessary for the success of its investments. Several projects in the assessed portfolio already address many of these issues. These projects offer lessons that can help ensure that all projects strengthen their consideration of sustainability and governance issues.

Discussions with some of the staff involved in developing the assessed projects revealed a common thread—a degree of wariness that more thorough assessments of these issues will create additional costs and complexity for projects. They worried that integrating sustainable development indicators and client-country governance principles into projects would disadvantage them in countries that have access to other sources of development finance with fewer requirements. Individual projects may also find it difficult to meet all of the criteria outlined in this assessment.

Staff also recognized that the goal of shared prosperity is still a relatively new area for the World Bank. It will take time for the implications and commensurate demands associated with this goal to be addressed at the project level. Reorienting the organization from a focus on eradicating poverty to issues around equity and sustainability will be a challenge. However, staff recognized that providing an integrated solution set that fulfills client countries’ present needs—as well as addresses future risks—would give the World Bank a unique selling point over its peers.

This analysis shows that a host of evaluative and analytical information is already produced by the World Bank. Advancing sustainable development in project design will require lowering some of the barriers that project leaders face, increasing their knowledge of these issues, and improving the tools they can easily use. The operational risk assessment framework is a World Bank tool that “helps managers and all members of project and country teams look system-

Figure 11 | **World Bank Project Approval Process**



atically, holistically, in an integrated manner and in real time, at risks to achieving project development objectives” (World Bank 2011b). This tool, and any subsequent versions of it, can be adapted to fill the specific knowledge needs for advancing sustainability, and to mitigate some of the shortcomings identified in the assessment. Learning from the successes and failures of previous projects is also an

## BOX 4 | LEARNING PROCESSES IN ADDITIONAL FINANCING PROJECTS

The World Bank has invested in efforts aimed at incorporating a learning process in its engagements across the world. A push to understand whether these efforts have actually built on successes, and learned from failures, has led to a focus on the “science of delivery” in the World Bank’s new strategy. This effort aims to bring a rigorous data-driven approach to measuring whether projects have indeed advanced the World Bank’s goals.

Using the same framework developed for the assessment of the sixty projects in this analysis, it was possible to extract findings from a selected group of additional financing (AF) projects that indicate whether the AF projects incorporate learning gained through their original projects. AF projects are particularly well-suited to this exercise because they would, ideally, reflect lessons learned from the original project’s implementation. For this particular exercise, the implementation status review reports of the original projects were also helpful references.

An example of an AF project that demonstrated that it learned from the experiences of the original project was the Upgrading and Greening the Rio de Janeiro Urban Rail System Project (Additional Financing) in Brazil. The AF was designed to scale

up a well-performing mass transit project, but also sought to prioritize the reduction of the carbon footprint of mass transit in order to take advantage of a political window of opportunity. Therefore, the AF decided to introduce project components that built from the climate-change mitigation gaps identified in the first project.

Similarly, the Second Additional Financing for the Poverty Alleviation Fund Project in Nepal used the opportunity for additional financing to strengthen the new project’s design. The AF modified its results framework to incorporate lessons from the original project’s framework in order to aim toward more measurable and relevant outcomes. Much of this was based on an impact evaluation that was carried out as the original project was being implemented, suggesting that evaluative products were put to good use by the AF’s team leaders.

By contrast, three other assessed AFs—the Additional Financing for the Emergency Infrastructure Rehabilitation and Energy Project in Togo, and the Additional Financing Road Sector Project and Additional Financing for Khammouane Development Project, both in Lao PDR—were found lacking from a learning perspective. All three AF

projects were influenced by natural disasters that occurred during the original project’s implementation. In the case of the Khammouane Development Project, the original project was approved in 2008 and then, following a 2011 typhoon, expanded the scope of its work to include post-disaster reconstruction. The project design for the AF incorporates principles of “building back better” for rural infrastructure affected by the disaster, but the mechanism through which these principles are derived is unclear. If they were derived from a climate change vulnerability assessment, it is not mentioned in the project document for the AF. All three of these AF projects failed to include climate change vulnerability studies in their revised design, which could have included lessons from their original project’s implementation and how the disasters affected them.

As the World Bank seeks to strengthen the use of evidence and metrics to measure, learn, and adapt as a core element of the science of delivery, integrating learning from original projects into additional projects is one place to start. This can be done by requiring AF projects to record the lessons learned from their original projects in their project documents.

important process of which the World Bank could be doing more (see Box 4).

Other relevant World Bank products include IEG’s reports on sectors, geographies, and World Bank policies and procedures, as well as the country policy and institutional assessments, which assess the quality of countries’ institutional and policy

frameworks and are used to allocate resources to IDA countries (World Bank 2011a). Making better use of this information seems key to deploying the right solutions for the right circumstances, as well as to the World Bank’s upcoming systematic country diagnostics.



The ten recommendations offered below recognize that integrating the range of concerns raised in this assessment into project design will have both cost and time implications. However, when handled appropriately and efficiently, the integration of sustainable development and governance considerations into project design will not only alleviate many of the operational risks that projects face, but also sustain the outcomes secured by the World Bank’s investments over the long term. Additionally, recipient countries play an important role in ensuring the right enabling environment for investment activities is in place, although this analysis has not been designed with that role in mind.

The recommendations are grouped according to the category of assessment indicators they fall under. Accordingly, there are recommendations that pertain specifically to integrating climate change into project design, to better meeting the needs of vulnerable populations, and to improving the consideration of governance issues. However, there is not a specific set of recommendations addressing the consideration of social and environmental risks in project design. This reflects the finding that, for the most part, project leaders are already considering these risks, although the authors are unable to comment on the efficacy or implementation of these measures. Eighty-two percent of projects conducted environmental and social assessments, and 80 percent of projects included details on how to address any identified risks.

In addition to the thematic category, the recommendations are framed in line with where they fall operationally in the World Bank’s project approval process (see Figure 11 for an overview of the project approval process). While this framing of the project approval process mostly tracks investment projects, it also is relevant for development policy operations and other forms of World Bank financing. By framing the recommendations in this way, this report hopes to provide World Bank managers with a practical sense of where steps can be taken to enhance consideration of sustainable development and client-country governance in project design. Table 2 depicts where our recommendations fall within the World Bank’s project approval process.

Table 2 | **Opportunities for Change Within the World Bank Project Approval Process**

RECOMMENDATIONS
The Strategic Level
<ul style="list-style-type: none"> <li>■ The World Bank should closely integrate climate change issues in its upstream engagement with countries.</li> <li>■ Strategic country planning documents and country diagnostics should utilize information on the extent to which national institutions identify vulnerable groups and channel public spending toward meeting their needs.</li> <li>■ Strategic country planning documents should strengthen countries’ sustainable development agendas by developing and strengthening integrated sustainable development plans where necessary.</li> </ul>
The Concept Review Stage
<ul style="list-style-type: none"> <li>■ After projects are identified, the World Bank should develop guidelines to screen projects for potential impacts on the climate, as well as identify potential risks to development outcomes due to climate change impacts.</li> <li>■ The World Bank should revise its operational policy on poverty reduction to include guidance on identifying the needs of poor and vulnerable groups, so that projects can track and better deliver benefits to these groups.</li> <li>■ The World Bank should identify and reduce the use of parallel project implementation structures in order to promote greater country capacity in delivering development outcomes.</li> </ul>
The Decision Meeting Stage
<ul style="list-style-type: none"> <li>■ The World Bank should include precise climate change indicators as part of the standardized core sector indicators used to monitor and evaluate projects. These indicators should cover resilience to climate change impacts in priority sectors, as well as absolute and relative changes in GHG emissions.</li> <li>■ The operational risk assessment framework and safeguard policies should be strengthened so that climate change risks can be better integrated into project design.</li> <li>■ The World Bank should strengthen the collection and use of data on social indicators in order to improve the monitoring and evaluation of investments’ impacts on vulnerable groups.</li> <li>■ The World Bank should improve the capture and deployment of analytical information on country governance quality to inform decision making on projects.</li> </ul>

## Improving the integration of climate change in project design

Few of the projects reviewed for this report addressed climate change in their design. If the steps undertaken by the World Bank to roll out GHG impact assessment tools are successful, it is likely that climate change assessments will become more common practice from 2014 onward. However, the inadequate consideration of the risks from the potential impacts of climate change remains a significant concern. Climate change impacts can reverse the development outcomes of past and current projects. In keeping with the strategic push from the highest levels of the World Bank and its donors to mainstream climate change, climate change adaptation and resilience is an area where the World Bank can lead.

Only 10 percent of assessed projects indicated they were seeking climate finance to cover the additional costs of undertaking mitigation and adaptation activities. Increasingly, these resources are being made available for countries to help address climate change. These concessional funds can offset the additional costs associated with adequately assessing and responding to climate change risks in project design and implementation.

**Recommendation 1:** *The World Bank should closely integrate climate change issues in its upstream engagement with countries.*

The World Bank should develop guidelines that integrate relevant climate change issues in its country partnership frameworks (CPF) (which replace the country assistance strategies [CAS]). In the current guidance to staff undertaking a country diagnosis for CAS products, environment and climate change issues are placed in an “other cross-cutting issues” category of priority topics. Separating these issues out and placing them as a stand-alone priority topic in the new guidance documents for the CPFs would give them greater visibility among World Bank country teams and borrowers when strategic documents are created (World Bank 2012f). Because these country planning documents are supposed to comprehensively address each major development issue in the country, this recommendation will create an incentive for staff to incorporate climate change issues in the results

frameworks of each relevant project. It will also bolster the linkage between climate and development at the highest level of country engagement.

**Recommendation 2:** *After projects are identified, the World Bank should develop guidelines to screen projects for potential impacts on the climate, as well as identify potential risks to development outcomes due to climate change impacts.*

The World Bank should consider steps at this stage of the project process to ensure that projects are thoroughly screened for risks due to climate change. The African Development Bank, a peer multilateral development bank, began rolling out a pilot operation to “screen projects in vulnerable sectors for climate change risks and identify appropriate adaptation measures to reduce vulnerability” in the project preparation and project identification stages as far back as 2011 (African Development Bank, no date). This is a useful template for the World Bank to consider.

The World Bank should begin to internalize GHG emissions when undertaking economic analyses as a standard procedure for projects in certain sectors. The World Bank’s operational policies do not specify how global externalities, such as climate change, should be considered in the economic evaluations of projects. Previously, the operational policy for economic evaluation of investments (OP 10.04) allowed for global externalities to be accounted for when “payments related to the project are made under an international agreement,” or if “the project or a component of it is financed by the Global Environment Facility” (World Bank 2012g).

However, during the investment lending review process in 2012, even this general guidance was replaced by a new operational policy for investment project financing (OP 10.00). The new policy provides only general guidance: “Taking into account the expected development objectives, the World Bank assesses the project’s economic rationale, using approaches and methodologies appropriate for the project, sector, and country conditions.” While the policy provides more flexibility for project leaders, the lack of specificity makes it unlikely that World Bank staff will use appropriate approaches and methodologies to account for externalities associated with climate change. Tools exist

to understand, quantify, and manage greenhouse gas emissions associated with investments.<sup>15</sup> For projects amenable to cost-benefit analyses (usually blueprint-type projects in which major investments are identified before loan or credit effectiveness), these tools incorporate the costs and benefits that are currently ignored by projects, such as the social costs of carbon emissions.

**Recommendation 3:** *The World Bank should include precise climate change indicators as part of the standardized core sector indicators used to monitor and evaluate projects. These indicators should cover resilience to climate change impacts in priority sectors, as well as absolute and relative changes in GHG emissions.*

As part of the process to aggregate project-level results and report on them at the corporate level, the World Bank in 2009 introduced standardized core sector indicators across twenty-four sectors and themes (World Bank 2009b). Climate change indicators are not prominent in this framework (World Bank 2013). Without the requirement to report at a corporate level, the chance that task team leaders will select climate-related indicators for their monitoring and results frameworks is likely to be low. This should be modified by including climate resilience indicators in relevant sectors and themes, such as roads and highways, sanitation, irrigation and drainage, and agriculture.

The energy sector category should also include an indicator that would track the reductions of GHG emissions from projects, in addition to generation capacity and access indicators.

**Recommendation 4:** *The operational risk assessment framework and safeguard policies should be strengthened so that climate change risks can be better integrated into project design.*

The Operational Risk Assessment Framework (ORAF) should be modified to include climate change risks as a separate category under project-level risks. Currently the ORAF includes social and environmental risks as project-level risks to be assessed, but with no specific focus on climate change-related risks. The findings of this assessment highlighted the example of the Second Kerala State Transport Project in India, which did not include any activities to address climate change-related risks, despite the potential damage climate change could inflict on project investments in the future. Including climate change risks as a separate category would elevate the issue for project leaders and allow them to more systematically consider whether and how climate risks could impact on project development objectives.

Likewise, as the World Bank reviews and revises its safeguard policies, it should integrate considerations of the risks arising from GHG emissions





and climate change impacts on people and the environment (World Bank, no date b). The findings of this analysis show that the existing provision in the safeguard policy for environmental assessments (OP 4.01) for protecting people and communities from transboundary and global environmental problems, such as climate change, is inconsistently applied. To encourage more projects to apply this provision, the policy should be revised to provide guidance on when and how assessments should take into account these transboundary and global environmental risks. An additional, climate-specific safeguard policy (or policies) would also assess the risks to the project of a changing climate, risks to communities from climate change exacerbated by the project, and GHG emissions. In either case, while the borrower is responsible for completing the assessments for safeguard implementation, the World Bank should provide technical assistance, where necessary.

### Closing the gap in addressing the needs of the vulnerable

With a quarter of the surveyed projects unable to demonstrate that they specifically targeted poor and vulnerable populations, closing this gap should be a priority. President Kim has reiterated that the institution should focus both on the extremely poor and the relatively poor (the bottom 40 percent income group in every country). While not every

investment will directly target the poor and vulnerable, projects should be able to articulate how these groups will eventually benefit from the World Bank's investment, in order to fulfill this institutional mandate.

Projects in the World Bank's portfolio show how it could target the poor across the board. The Rural Access and Mobility Project in Nigeria shows that a robust approach to ensure that an investment targets those in most need of connectivity is possible. While the needs of the relatively poor in middle-income countries will generally be different from those of low-income countries, customized metrics can be built into such investments to ensure more equitable access to project benefits by the relatively poor.

**Recommendation 5:** *Strategic country planning documents and country diagnostics should utilize information on the extent to which national institutions identify vulnerable groups and channel public spending toward meeting their needs.*

The World Bank already assesses the extent to which national-level institutions identify vulnerable groups and their priorities, and align public spending to meet those priorities. This is captured under the "policies for social inclusion/equity" cluster of the country policy and institutional assessment, where the equity of public resource use is discussed.



The World Bank should ensure that this information is also used in strategic country planning documents and country diagnostics. Understanding at an early stage whether country institutions are meeting the needs of vulnerable populations would inform where projects can fill information gaps and where projects might be negatively influenced by those gaps. Relevant project data should also flow back into these kinds of institutional analyses to complete the knowledge loop.

**Recommendation 6:** *The World Bank should revise its operational policy on poverty reduction to include guidance on identifying the needs of poor and vulnerable groups, so that projects can track and better deliver benefits to these groups.*

The assessment showed that projects often did not include design elements that would track how vulnerable groups would benefit from project activities—such as through monitoring and evaluation or economic analyses. To address this, the operational policy that sets out the World Bank’s mission on poverty reduction, OP 1.00, should include specific requirements for poverty assessments to assess vulnerability. This would mean identifying groups in a country who are vulnerable so that task team leaders can track and target these project benefits. The operational policy on investment project financing (OP 10.00) should also specify that economic analyses should take into account the effects of project activities on vulnerable communities.

**Recommendation 7:** *The World Bank should strengthen the collection and use of data on social indicators in order to improve the monitoring and evaluation of investments’ impacts on vulnerable groups.*

The assessment carried out for this report revealed that the lack of disaggregated baseline data is a barrier to ensuring that projects are better designed to address the needs of the poor and the vulnerable. For example, in the Electricity Sector Support Project in Senegal, baseline information on populations lacking access to electricity was inadequate, and affordability was not monitored. This appears to be why several surveyed projects do not explain how they will address the needs of the poor even when the poor are targeted for project benefits.

The World Bank and its client countries should systematically work together to improve the quality of social data to more closely reflect how the needs of vulnerable populations will be met. For example, the World Bank safeguard policies should be structured to better facilitate an understanding of project beneficiaries and their needs through the use of social assessments wherever possible. In April 2013, the leaders of six multilateral development institutions, including the World Bank and the United Nations, took a promising step when they agreed to strengthen interagency sharing and collaboration on issues related to data and statistical capacity building (African Development Bank 2013). The World Bank should now provide further guidance on how project leaders can access and use interagency data (as well as the vast amounts of data already within the World Bank) at the operational level, in order to make this agreement more useful at the project level.

### Considering governance issues cohesively for long-term viability

Strengthening and considering governance issues in countries is both an objective in itself and a means to advance other considerations for World Bank funding, such as poverty alleviation. This analysis has shown mixed results in the extent to which underlying governance frameworks are taken into account as projects are designed. Moreover, as the findings show, where weak strategic and institutional contexts exist, only some of the projects consider these situations in their design. Addressing these underlying conditions and doing so inclusively with relevant stakeholders, before initiating projects, will have positive implications for the long-term sustainability of development benefits delivered through these investments.

**Recommendation 8:** *Country Partnership Frameworks should consider the need to develop or strengthen integrated sustainable development plans to support countries’ sustainable development agendas.*

The analysis found that less than half of assessed projects (48 percent) could demonstrate alignment with nationally owned, integrated sustainable development plans. In the Guidelines to Staff for CAS Products, created by the Operations Policy

and Country Services Department, the section on results outlines how the CAS is expected to support a country's development goals (World Bank 2012f). This includes the use and strengthening of country systems. However, country planning processes are not currently included on the list of country systems with which the CAS will work. Therefore, going forward, the language in guidance documents for the Country Partnership Framework (CPF) should improve upon current practice with the following recommended text: The CPF should outline strategies to strengthen and expand the use of the country's systems and institutions for the formulation and implementation of integrated, sustainable development plans.

While countries do work with the World Bank in preparing strategic documents that guide the World Bank's interventions, some countries may not have formulated sustainable development plans, as the example of the Road Rehabilitation and Maintenance Program in Uruguay indicates. Where plans do not exist, the World Bank should work with governments to create them, and help guide future investments in a sustainable manner.

**Recommendation 9:** *The World Bank should identify and reduce the use of parallel project implementation structures in order to promote greater country capacity in delivering development outcomes.*

Only 45 to 58 percent of projects appear to have adequately considered the policy, regulatory, and institutional context during project design. In some cases, while they may have done so, it is not reflected in the project appraisal documents. In other cases, either extenuating circumstances, such as changes in governments, or post-conflict situations have meant that they need to proceed to implement the project in the absence of suitable policy and regulatory environments.

In contrast, IEG has shown that adherence to financial integrity and internal World Bank governance regulations is acceptable (World Bank/IEG 2011a). This split between attention to internal and external governance arrangements is most amply demonstrated in the continued use of project implementing units (PIUs) and similar structures. World Bank guidance has in the past called for “a

reduction in the number of parallel project implementation units as one of the key actions the aid community could take to promote greater capacity development within borrowers, and thus increase aid effectiveness” (World Bank 2005b). In line with this guidance, task team leaders should provide clear justifications for why PIUs are necessary. This should be in the operational risk assessment framework (ORAF) tool, since the use of PIUs arguably presents long-term capacity and viability risks to investments, along with a strategy for their integration into existing country institutional and governance arrangements.

**Recommendation 10:** *The World Bank should improve the capture and deployment of analytical information on country governance quality to inform decision making on projects.*

The assessment highlighted how another development agency provides guidance to project leaders on institutional and context analyses when designing a project. The World Bank is already collecting similar information on countries' governance quality. If this information is deployed at the project level, it will strengthen project-level governance analyses. Country policy and institutional assessments collect information on rule-based governance, the quality of public administration, and the policies and institutions for environmental sustainability. The calculation of governance quality using these criteria shows the World Bank's commitment to understanding important governance processes in their client countries.

These calculations are currently only used in the IDA allocation process and for several other corporate goals. Ensuring that projects also incorporate this information into appraisal material at this stage will ensure that decision makers have the full range of governance-related information at their disposal.





## SECTION V

# CONCLUSION

Integrating principles of sustainable development and effective governance into project design should not be seen as a hindrance to the World Bank's operations, rather it would allow the institution to set the benchmark for other development financiers and foster a "race to the top" of project design standards.



Under the leadership of Dr. Jim Yong Kim, the World Bank has two new goals: ending extreme poverty, and building shared prosperity. Achieving these goals will require effort—beyond a focus purely on economic growth—to also embrace equity within and across generations.

WRI's assessment paints a mixed picture, and in many ways, echoes the findings of a 2006 WRI research note on environmental mainstreaming at the World Bank (Seymour 2006). There are elements of sustainable development and effective client-country governance incorporated into the design of some assessed projects, but to institutionalize and scale these successes, the World Bank must do more at important junctures of the project design and appraisal process. An instructive follow-up to this assessment would be to repeat its approach for projects approved after the new strategy has been fully rolled out, using the results presented here as a baseline for comparison. The development of a toolkit of key questions that should be asked of all projects during the various stages of the project identification and approval cycle is another potential area for future research.

There are positive indications that the World Bank's traditional core mission of poverty alleviation and social development remains relevant in its current portfolio. The use of measures to target vulnerable populations, and the deployment of environmental and social risk instruments, is widespread. However, there are also major gaps in current World Bank project designs that can be addressed by incorporating additional metrics at the assessment level on issues of equity, while also emphasizing the quality of social development data.

According to these indicators, client-country governance is not adequately considered in at least a third of the evaluated projects. Country contexts, strengthening institutions, and the planning processes in countries need to be considered early in the project design phase. Where these are lacking, the World Bank should prioritize strategies to help countries strengthen them. This can be addressed through tools such as the country partnership frameworks and the guidance documents for their use. The World Bank should also eliminate project elements that hinder the growth of country governance capacity, such as project implementing units.

Current World Bank safeguard and economic evaluation policies do not mandate the inclusion of climate change assessments in all sectors (although certain sectors have started to see coverage roll out). The assessment found that climate change was not adequately addressed in 75 to 88 percent of the assessed projects. While some projects are claiming mitigation and adaptation benefits from their activities, few conduct ex ante assessments that could verify these benefits. There are a variety of steps that World Bank leadership and staff can take to address these issues. Fortunately, these steps should not vastly expand the financial outlays required. For example, the World Bank's country partnership frameworks could include guidance on assessing climate change impacts, vulnerabilities and risks, and could identify potential mitigation and adaptation measures. Similarly, the list of core indicators at the institute-wide level should be expanded and modified to mainstream climate across relevant sectors, while climate change safeguards should also be strongly considered during the ongoing review process.

The World Bank has already begun to respond to the sustainable development challenge. By making further improvements, it can become a leader among international financial institutions in addressing the needs of vulnerable populations, managing environmental and social risks, ensuring effective governance, and tackling the growing climate change crisis. Integrating these principles into project design should not be seen as a hindrance to the World Bank's operations, rather it would allow the institution to set the benchmark for other development financiers and foster a "race to the top" of project design standards. The extent to which countries begin to demand projects that fulfill their sustainable development commitments is poised to emerge as a driver of change at the World Bank, especially as the international community gears up for a potential set of Sustainable Development Goals. The World Bank should be able to provide countries best in practice design parameters. To complete the shift toward sustainability that has already begun at the highest level of the institution, project design must be aligned with emerging good practices in sustainability and support for client-country governance frameworks.







## ANNEX 1. DETAILED METHODOLOGY

Through a random sampling of the World Bank's entire 2012 portfolio and a portion of the 2013 portfolio, and the use of a comprehensive assessment framework, this report gauges the extent to which the World Bank is integrating select sustainable development and governance principles into its investments. Information on which projects were approved in a given quarter was taken from the meeting minutes of the Board of Directors, posted on the World Bank website.<sup>16</sup> Projects were then categorized by region, financial instrument used, funding amount, and sector and theme percentages. Projects were then randomly selected from a subset of filtered projects and were assessed by the authors using the framework set out in Table 1.

### Project Analysis

Project data was taken from publicly available documentation on the World Bank website. Project appraisal documents (PADs) were the primary source of information on projects, but information was also drawn from project information documents and integrated safeguards datasheets.

While additional financing (AF) projects were assessed as part of this exercise, the analysis of those results was limited to the learning processes section of the findings. This is because the PADs for AF projects are often not as comprehensive as those for original projects. Analyzing AF projects alongside original projects, therefore, could be an unfair comparison. In order to draw out lessons on learning processes from these projects, the analysis was extended to include the implementation status results reports of their original projects.

Questions from the framework were answered with coded letters (Y = Yes, N = No, and S = Somewhat, depending on the researchers' ability to deduce a specific answer from the available documentation), as well as qualitative responses. A "yes" indicates that the project has fully demonstrated that consideration was given to the issue in project design through measures to address it, or the documentation illustrated where it was addressed elsewhere. A "somewhat" indicates that the document has mentioned the issue but not discussed it in detail or provided evidence that it has been considered. A "no" indicates that the issue has not been identified or discussed. The qualitative responses allowed the authors to develop a narrative in Sections III and IV, while the quantitative responses allowed for summary-level data analysis.

### Project Sampling Procedures

To develop a list of approved projects for the years under review, the authors relied on Board of Director meeting minutes. Data on approved projects was found in the Projects & Operations section of the World Bank website, and was captured in a spreadsheet, which included the following columns for each quarter (Q1= Jan-Mar, Q2= Apr-Jun, etc.):

- Meeting Date
- Name of Project
- Amount
- Financial Instrument
- Sector (and percent of project)
- Theme (and percent of project)
- Links to project site

To capture projects relevant to a sustainability- and governance-oriented portfolio analysis, certain sectors and subsectors were eliminated.

- Projects were included for further analysis if at least 25 percent of the project's operational focus—or totaling at least 25 percent—fell under one or more of the selected sectors.
- The following World Bank sectors and subsectors were included in project analyses:
  - Agriculture, fishing and forestry
  - Energy and mining
  - Industry and trade: housing construction and petrochemicals and fertilizers
  - Transportation
  - Water, sanitation, and flood protection
  - Public administration-agriculture, fishing and forestry; Public administration-energy and mining; Public administration-transportation; Public administration-water, sanitation and flood protection
- The list of excluded sectors is as follows:
  - Education
  - Finance
  - Health and other social services
  - Industry and trade: Agro-industry, marketing, and trade; General industry and trade sector; Other domestic and international trade; Other industry
  - Information and communications
  - Public administration, law and justice: Central government administration, Compulsory health finance, Compulsory pension and unemployment insurance, General public administration sector, law, and justice, Public administration-education, Public administration-financial sector, Public administration-health, Public administration-industry and trade, Public administration-information and communications, Public administration-other social services, Subnational government administration

It should be noted that although the authors excluded projects without at least 25 percent sectoral representation from at least one of the sectors of interest, this did not necessarily eliminate from consideration projects with an overall sectoral weighting in an excluded category. For example, the Community Action for Nutrition Project in Nepal was included because it had the desired sectoral representation (29 percent sanitation). However, combining all the sectors listed by the task team for this project places the project in an overall excluded category (health).

Before the authors chose which projects to analyze, they employed weighting techniques to keep the randomly selected project portfolio representative of the filtered subsection. A sequential random sampling with respect to region and theme was taken from the filtered portfolio to ensure that the sampled project portfolio has similar thematic and regional proportions as the filtered portfolio.

- Random number generated (between 1-52 for Q1, 1-59 for Q2, 1-30 for Q3, 1-59 for Q4, 1-34 for Q5, and 1-51 for Q6) between 1 and the number of filtered projects per quarter using a randomizing feature on Microsoft Excel

- Thematic and geographic weighting methodology:
  - First calculate proportion of projects by region and primary theme
  - Multiply resulting proportion by 10 for each quarter to get a proportional cap that cannot be exceeded
  - Project numbers are put back in the pool to pick from, duplicates are ignored
  - When random number generates a project from a region or thematic group that has already reached its cap, reject and keep documentation

The authors then analyzed the sixty randomly selected projects (ten per quarter) using the assessment framework. The main assessed documents were the project appraisal documents, which are also the main decision-making documents that the Board uses when deciding whether to approve a project.

Table A1-1 outlines the characteristics of the World Bank's total portfolio for the six quarters under study, as well as the filtered and sampled portfolios—as per the methodologies outlined above. Box A1-1 outlines instances where the authors discarded randomly selected projects from the sample.

## Engagement with World Bank Staff

As part of the drafting and reviewing process for this report, the authors engaged the task team leaders (TTLs) associated with fourteen projects from the assessment. These TTLs were the ones who responded to communications from the authors sent to a subset of representatives from the sixty projects. Interviews were conducted in person in Washington, D.C., by phone, or via email, depending on the location of the TTL. The interviews involved a review of the relevant project assessment conducted by the authors, which allowed the TTLs to respond to the assessment. The authors also asked general questions about how sustainable development is supported, or not, by the World Bank's operational policies, procedures, and internal systems.

The authors used the feedback from TTLs to revise project assessment data where necessary and relevant in the qualitative assessments. World Bank management also reviewed this report in its draft stages and provided feedback.

## BOX A1-1 | DISCARDED RANDOMLY SELECTED PROJECTS

The project data on sector and theme percentages was accurate as of June 2013, but the authors noticed deviations in certain projects' data between the time of initial input in the meta-spreadsheet and when analyses were carried out. This could be explained by ongoing negotiations between World Bank staff and governments as the terms of the engagement were refined.

One specific, randomly selected project in particular is worth noting because the deviation in sector percentages was enough to remove it from the 25 percent cumulative cap that placed it within sectors of interest: the Q1 Ninth Poverty Reduction Support Credit in Uganda. At the time of data entry, the project was coded 25 percent as being in the general agriculture, fishing, and forestry sector. As of January 2013, however, there is no data on either sector or themes that could place the engagement in a specific category.

Similarly a Q2 project—Moldova Agriculture Competitiveness Project—was also randomly selected based on project parameters available at the time of data entry. However, by the time the detailed analysis was to be carried out, publicly available information was stating that no data was available on sector or theme information, as well as no publicly available documentation.

In both cases, new random numbers and projects were chosen for the relevant quarter.

Table A1-1 | **Characteristics of the World Bank's Total Portfolio**

QTR.	TOTAL PORTFOLIO		FILTERED PORTFOLIO (% OF TOTAL PORTFOLIO)		SAMPLED PORTFOLIO (% OF FILTERED PORTFOLIO)	
	# OF PROJECTS	VALUE (USDM)	# OF PROJECTS	VALUE (USDM)	# OF PROJECTS	VALUE (USDM)
Q1	88	10,921	52 (59%)	7,103 (65%)	10 (19%)	1,163 (16%)
Q2	97	13,782	59 (61%)	8,012 (58%)	10 (17%)	1,091 (14%)
Q3	42	6,031	30 (71%)	5,060 (84%)	10 (33%)	1,228 (24%)
Q4	59	4,653	30 (51%)	1,910 (41%)	10 (33%)	642 (34%)
Q5	59	4,834	34 (58%)	1,929 (40%)	10 (29%)	729 (38%)
Q6	91	8,039	51 (56%)	3,576 (44%)	10 (20%)	981 (27%)
<b>Total</b>	<b>436</b>	<b>48,261</b>	<b>256 (59%)</b>	<b>27,590 (57%)</b>	<b>60 (23%)</b>	<b>5,834 (21%)</b>



## ANNEX 2. REPRESENTATIVENESS OF DATA

The aim of making the randomly selected projects as representative as possible was to demonstrate findings that could be applicable to the entire World Bank portfolio for 2012 and part of 2013. Based on extensive analyses of the overall World Bank portfolio and the selected projects, the randomly sampled portfolio has been calculated as a good representation of the filtered portfolio.

To check the robustness of the random sampling methodology described above, and to ensure against biased outcomes, the filtered subset of projects in the portfolio was compared with the randomly selected portfolio. From Q1 of FY2012 to Q2 of FY2013, there are 256 projects worth \$27.6 billion in the filtered portfolio, whereas the randomly sampled portfolio contains 60 projects worth \$5.8 billion, or 21.1 percent of the value of the filtered portfolio. Projects in the filtered portfolio range in size from \$0 to \$1,333 million, with a median value of \$60 million.<sup>17</sup> Projects in the sampled portfolio range from \$1.8 million to \$450 million, with a median value of \$80 million.

Five subgroupings are applied for the comparison of the two portfolios: value, region, instrument, sector, and theme. Average deviation was calculated along with the distribution of the number of projects and the investment amount of projects across subgroups to measure the representativeness of the sampled portfolio to the filtered one.<sup>18</sup>

Average deviation in the distribution of the number of projects is less than 4 percent in all five subgroupings. Average deviations from the investment amount of projects are also less than 4 percent in all subgroupings, except value. The average deviation is normally expected to be larger in the investment amount than in the number of projects because the size of projects varies over a wide range, so any randomly chosen project can be quite large or small in the amount, which may result in larger deviations. Overall, average deviations are not significant in this selection process and the randomly selected portfolio represents the original filtered portfolio without any significant error or omission.

### Value

In the distribution of project values, the average deviation is 3.4 percent in the number of projects and 8.1 percent in the value of projects, which means that each subgroup based on project values has an average difference of 3.4 percent and 8.1 percent in each measure. The deviation in value comes from the fact that the random selection process never picked any projects over \$500 million, while the filtered portfolio has eight projects over that amount that account for 23 percent of the total value. Rather, more projects between \$100 and \$300 million in value have been picked in the random selection process. Adjusting these biases would decrease the deviation in the number and value of the projects.

### Region

In terms of regional distribution, the average deviations are 3.7 percent in the number of projects and 3.3 percent in the investment amount. Projects from East Asia and the Pacific are selected more frequently, but projects from the Africa region are selected less frequently. Adjusting these biases would decrease the deviation in the number of projects and the investment amount.

### Instrument

With regard to the usage of financial instruments deployed by the World Bank, the average deviations are 1.9 percent and 3.9 percent in the number of projects and the investment amount, respectively. The gap in the amount is caused by the development policy lending (DPL), the second largest instrument category. Three large projects in the DPL category, worth \$1,333 million, \$600 million, and \$350 million respectively, are responsible for the high proportion of DPLs in the amount, but none of was picked in the random selection process. As a result, the proportion of DPLs in the amount becomes quite small and causes a deviation in other categories as well. Nevertheless, the two most frequent instruments, the specific investment loan (SIL) and DPL, represent a majority of both portfolios and don't show significant deviation combined.

### Sector

For subgroupings by sector, the actual proportions of each sector are applied when one project is subject to more than one sector. The average deviations are 1.4 percent in the number of projects and 1.9 percent in the amount. The average deviation in the amount is insignificant and even smaller than any other subgroupings in region, instrument, or theme. There are four large projects over \$400 million in the energy and mining sector, but none of them is randomly chosen, which results in the relatively low average size of the randomly selected portfolio and the deviation in the investment amount. Deviations in other sectors are not considerable.

### Theme

For subgroupings by theme, the actual proportion is applied in the same way as in the sector. Average deviations are 1.7 percent and 3.0 percent in the number of projects and in the investment amount respectively. The deviation in the investment amount comes from the rural development theme, where random selection has resulted in upward bias. Only fifteen out of ninety-two projects (16 percent) with rural development thematic proportion exceed \$100 million in the filtered portfolio, but eight out of twenty-six (31 percent) projects exceed \$100 million in the randomly selected portfolio. Deviations in other themes are not considerable.

## ANNEX 3. LIST OF ASSESSED PROJECTS

PROJECT	COUNTRY	VALUE (\$ MIL-LIONS)	REGION*	FINANCIAL INSTRUMENT**	FINANCING ARM	SECTOR	THEME
First Climate Change Development Policy Operation	Vietnam	\$70	EAP	DPL	IDA	Public administration, law, and justice	Environment and natural resource management
Rajasthan Agricultural Competitiveness Project	India	\$109	SAR	SIL	IDA	Agriculture, fishing, and forestry	Rural development
Advanced Electricity Metering Project	Uzbekistan	\$180	ECA	SIL	IBRD	Energy and mining	Financial and private sector
Mekong Integrated Water Resources Management Project	Regional -Lao PDR, Cambodia	\$26	EAP	SIL	IDA	Water, sanitation, and flood protection	Environment and natural resource management
Forests and Climate Change Project	Mexico	\$350	LAC	SIL	IBRD	Agriculture, fishing, and forestry	Environment and natural resource management
Pernambuco Rural Economic Inclusion Project	Brazil	\$100	LAC	SIL	IBRD	Industry and trade	Rural development
Community Action Project for Climate Resilience	Niger	\$63	SSA	TAL	Recipient executed activities	Agriculture, fishing, and forestry	Environment and natural resource management
Energy Efficiency Project	Burundi	\$1.82	SSA	SIL	Global Environment Project	Energy and mining	Environment and natural resource management
Metro Colombo Urban Development Project	Sri Lanka	\$213	SAR	SIL	IBRD	Water, sanitation, and flood protection	Social protection
Livestock Development and Animal Health Project	Zambia	\$50	SSA	SIL	IDA	Agriculture, fishing, and forestry	Rural development
Gansu Qingyang Urban Infrastructure Improvement Project	China	\$100	EAP	SIL	IBRD	Transportation	Urban development
SunaulaHazar Din–Community Action for Nutrition Project	Nepal	\$40	SAR	SIL	IDA	Health and other social services	Human development
Nairobi Metropolitan Services Improvement Project	Kenya	\$300	SSA	SIL	IDA	Water, sanitation, and flood protection	Urban development

## ANNEX 3. LIST OF ASSESSED PROJECTS (CONT.)

PROJECT	COUNTRY	VALUE (\$ MIL-LIONS)	REGION*	FINANCIAL INSTRUMENT**	FINANCING ARM	SECTOR	THEME
Abidjan-Lagos Trade and Transport	Regional -Côte d'Ivoire	\$90	SSA	APL	IDA	Transportation	Trade and integration
Electricity Network Reinforcement and Expansion Project	Ethiopia	200	SSA	SIL	IDA	Energy and mining	Rural development
Kafue Town–Muzuma–Victoria Falls Regional Transmission Line Reinforcement Project	Zambia	\$60	SSA	SIL	IDA	Energy and mining	Financial and private sector development
Irrigation Development Project	Bosnia and Herzegovina	\$40	ECA	SIL	IDA	Agriculture, fishing, and forestry	Environment and natural resource management
Emergency Infrastructure Renewal Project	Côte d'Ivoire	\$100	SSA	ERL	IDA	Water, sanitation, and flood protection	Social/dev/gender/inclusion
Labor Intensive Public Works Project	Yemen	\$61	MENA	SIL	IDA	Education	Rural development
Rural Electrification and Renewable Energy Development II Project	Bangladesh	\$155	SAR	SIL	IDA	Energy and mining	Rural development
OSE Sustainable and Efficient Project	Uruguay	\$42	LAC	SIL	IDA	Transportation	Urban development
Rapid Response Development Policy Grant	Malawi	\$50	SSA	DPL	IDA	Public administration, law, and justice	Public sector governance
Sustainable Management of Agricultural Research and Technology Dissemination Project	Indonesia	\$80	EAP	SIL	IBRD	Agriculture, fishing, and forestry	Rural development
Managing Natural Hazards Project	Vietnam	\$150	EAP	SIL	IDA	Water, sanitation, and flood protection	Social protection
Second Rural Access Mobility Project	Nigeria	\$170	SSA	SIL	IDA	Transportation	Rural development
Electricity Sector Support Project	Senegal	\$85	SSA	SIL	IDA	Energy and mining	Urban development



## ANNEX 3. LIST OF ASSESSED PROJECTS (CONT.)

PROJECT	COUNTRY	VALUE (\$ MIL-LIONS)	REGION*	FINANCIAL INSTRUMENT**	FINANCING ARM	SECTOR	THEME
Second Road and Safety Improvement Project	Ukraine	\$450	ECA	SIL	IBRD	Transportation	Financial and private sector
Forest Fire Response Project	Russia	\$40	ECA	SIL	IBRD	Agriculture, fishing, and forestry	Environment and natural resource management
Managing Healthcare Waste and PCBs	Tunisia	\$5.5	MENA	SIL	Global Environment Project	Health and other social services	Environment and natural resource management
National Community-Driven Development Project	Myanmar	\$80	EAP	ERL	IDA	Transportation	Rural development
National Community Empowerment Program In Urban Areas For 2012–15	Indonesia	\$266	EAP	SIL	IBRD	Health and other social services	Social/dev/gender/inclusion
Badia Ecosystem and Livelihoods Project	Jordan	\$3.3	MENA	SIL	Global Environment Project	Agriculture, fishing, and forestry	Environment and natural resource management
Disaster Risk Management Project	Honduras	\$30	LAC	SIL	IDA	Water, sanitation, and flood protection	Social protection
Adaptation of Nicaragua's Water Supplies to Climate Change	Nicaragua	\$6	LAC	TAL	Global Environment Project	Water, sanitation, and flood protection	Environment and natural resource management
Emergency Infrastructure Preservation and Vulnerability Reduction Project	Madagascar	\$102	SSA	ERL	IDA	Transportation	Rural development
Remote Rural Communities Development Project	Bhutan	\$9	SAR	SIL	IDA	Agriculture, fishing, and forestry	Rural development
Second Regional Development Project	Georgia	\$30	ECA	SIL	IDA	Transportation	Urban development
Road Rehabilitation and Maintenance Program	Uruguay	\$66	LAC	PfoR	IBRD	Transportation	Trade and integration
Rural Alliances Project II	Bolivia	\$50	LAC	SIL	IDA	Agriculture, fishing, and forestry	Rural development

## ANNEX 3. LIST OF ASSESSED PROJECTS (CONT.)

PROJECT	COUNTRY	VALUE (\$ MIL-LIONS)	REGION*	FINANCIAL INSTRUMENT**	FINANCING ARM	SECTOR	THEME
Ecotourism and Conservation of Desert Biodiversity	Tunisia	\$4.27	MNA	SIL	Global Environment Project	Public administration, law, and justice	Environment and natural resource management
Solid Waste Sector DPL3	Morocco	\$130	MNA	DPL	IBRD	Water, sanitation, and flood protection	Urban development
Enhancing the Climate Resilience of the West Coast Road	Samoa	\$14.8	EAP	SIL	Recipient executed activities	Transportation	Social protection
Sustainable Agriculture and Climate Change Mitigation Project	Uzbekistan	\$12.7	ECA	SIL	Global Environment Project	Agriculture, fishing, and forestry	Environment and natural resource management
First Power and Gas Sector DPO	Tanzania	\$100	SSA	DPL	IDA	Energy and mining	Financial and private sector development
Energy Sector Development Project	Papua New Guinea	\$7.3	EAP	SIL	IDA	Energy and mining	Financial and private sector
Beijing Rooftop Solar Photovoltaic Scale-Up (Sunshine Schools) Project	China	\$120	EAP	SIL	IBRD	Energy and mining	Environment and natural resource management
Jiangxi Wuxikou Integrated Flood Management Project	China	\$100	EAP	SIL	IBRD	Water, sanitation, and flood protection	Rural development
Jiangxi Poyang Lake Basin and Ecological Economic Zone Small Town Development Project	China	\$150	EAP	SIL	IBRD	Transportation	Rural development
Agricultural Productivity Program for Southern Africa	Regional -Malawi, Mozambique, Zambia	\$90	SSA	SIL	IDA	Agriculture, fishing, and forestry	Rural development
Scaling-up Participatory Sustainable Forest Management Project	Lao PDR	\$19	EAP	IPF	IDA	Agriculture, fishing, and forestry	Environment and natural resource management
Ma'anshan Cihu River Basin Improvement Project	China	\$100	EAP	SIL	IBRD	Water, sanitation, and flood protection	Environment and natural resource management

## ANNEX 3. LIST OF ASSESSED PROJECTS (CONT.)

PROJECT	COUNTRY	VALUE (\$ MIL-LIONS)	REGION*	FINANCIAL INSTRUMENT**	FINANCING ARM	SECTOR	THEME
Road Rehabilitation and Safety Project	Serbia	\$100	ECA	SIL	IBRD	Transportation	Trade and Integration
São Paulo State Sustainable Transport Project	Brazil	\$300	LAC	IPF	IBRD	Transportation	Financial and private sector
Second Municipal Development Project	West Bank and Gaza	\$10	MNA	SIL	Special Financing	Public administration, law, and justice	Urban development
Second Kerala State Transport Project II	India	\$216	SAR	SIL	IBRD	Agriculture, fishing, and forestry	Transportation
Water Resources Development Project	Zambia	\$50	SSA	SIL	IDA	Water, sanitation, and flood protection	Environment and natural resource management
Zambia Strengthening Climate Resilience (PPCR Phase II) Project	Zambia	\$36	SSA	SIL	Recipient executed activities	Transportation	Environment and natural resource management
Urban Development Project	Democratic Republic of Congo	\$100	SSA	SIL	IDA	Transportation	Urban development
Mali Recovery and Reform Support Credit Program	Mali	\$50	SSA	DPL	IDA	Public administration, law, and justice	Public sector governance
<b>Total</b>		<b>\$5,833.7</b>					

Notes: \*Based on World Bank Country and Lending Groups: East Asia and Pacific (EAP); Europe and Central Asia (ECA); Latin America and the Caribbean (LAC); Middle East and North Africa (MENA); South Asia (SAR); Sub-Saharan Africa (SSA). \*\*DPL: Development Policy Lending; SIL: Specific Investment Loan; TAL: Technical Assistance Loan; APL: Adaptable Program Loan; ERL: Emergency Recovery Loan; PfoR: Program-for-Results; IPF: Investment Project Financing



## ANNEX 4. ASSESSED PROJECT RESULTS

PROJECT ID	PROJECT NAME	1.1	1.2	1.3	2.1	2.2	2.3	3.1
P117225	Energy Efficiency Project	Y	Y	N	Y	Y	N	N
P122735	Metro Colombo Urban Development Project	N	S	N	Y	Y	Y	N
P124614	Rajasthan Agricultural Competitiveness Project	Y	Y	Y	Y	Y	Y	N
P123760	Forests and Climate Change Project	Y	N	Y	Y	Y	Y	Y
P125669	Community Action Project for Climate Resilience	Y	Y	Y	Y	Y	Y	N
P122773	Advanced Electricity Metering Project	N	N	N	S	S	Y	N
P120139	Pernambuco Rural Economic Inclusion Project	Y	Y	Y	Y	Y	N	N
P122667	Climate Change Development Policy	Y	N	N	Y	N	N	S
P104806	Mekong Integrated Water Resources Management	Y	N	Y	Y	Y	Y	N
P122123	Livestock Development and Animal Health Project	Y	N	Y	S	S	Y	N
P115954	Irrigation Development Project	Y	N	Y	Y	Y	N	N
P124351	Zambia Kafue Town - Muzuma - Victoria Falls Regional Transmission Line Reinforcement Project	N	N	N	Y	N	Y	N
P124715	Emergency Infrastructure Renewal Project	Y	Y	Y	Y	S	Y	N
P125359	Community Action for Nutrition Project (SunaulaHazar Din)	Y	Y	N	Y	Y	N	N
P123133	Gansu Qingyang Urban Infrastructure Improvement Project	Y	Y	N	Y	Y	Y	N
P116323	Abidjan-Lagos Trade and Transport Facilitation Program	Y	Y	N	Y	Y	N	N
P119893	Electricity Network Reinforcement and Expansion Project	Y	Y	Y	Y	Y	N	S
P107314	Nairobi Metropolitan Services Improvement Project	N	N	N	Y	Y	N	N
P118064	National Water Supply and Sanitation Company (Administracion de lasObrasSanitarias del Estado - OSE) Sustainable and Efficient Project	N	N	N	Y	Y	Y	N

	3.2	3.3	3.4	3.5	4.1	4.2	4.3	4.4	4.5	4.6	4.7
	N	N	N	N	Y	N	N	Y	S	Y	N
	N	N	Y	Y	N	N	Y	N	N	N	N
	N	N	N	N	N	N	N	Y	Y	Y	S
	N	Y	N	N	Y	Y	Y	Y	Y	Y	Y
	N	N	Y	Y	Y	Y	Y	Y	N	N	Y
	N	N	N	N	N	N	N	N	N	Y	N
	N	N	N	N	Y	N	N	N	N	N	Y
	Y	Y	S	Y	Y	N	Y	Y	Y	N	Y
	N	N	Y	Y	Y	Y	Y	Y	S	S	S
	N	N	N	N	N	N	N	Y	Y	S	Y
	N	N	Y	N	Y	N	N	Y	Y	Y	N
	N	N	N	N	N	N	N	N	S	N	N
	N	N	N	N	Y	N	N	Y	N	N	N
	N	N	N	Y	Y	Y	Y	N	Y	N	Y
	N	N	N	N	Y	N	N	N	N	N	N
	N	N	N	N	N	N	N	N	Y	N	Y
	N	Y	N	N	Y	N	N	N	Y	S	N
	N	N	N	N	Y	Y	N	Y	Y	S	Y
	N	N	Y	Y	S	N	N	S	Y	N	N

## ANNEX 4. ASSESSED PROJECT RESULTS (CONT.)

PROJECT ID	PROJECT NAME	1.1	1.2	1.3	2.1	2.2	2.3	3.1
P126454	Xinjiang Yining Urban Transport Improvement Project	Y	Y	N	Y	Y	N	N
P122594	Labor Intensive Public Works Project	Y	Y	Y	S	N	N	N
P117243	Sustainable Management of Agricultural Research and Technology Dissemination	N	N	N	S	Y	N	N
P126155	Rapid Response Development Policy Grant	Y	S	S	S	N	N	N
P095003	Second Rural Access and Mobility Project	Y	Y	Y	Y	Y	N	N
P125565	Electricity Sector Support Project	N	N	N	Y	S	Y	N
P100478	Managing Healthcare Waste and PCBs	N	N	N	Y	Y	S	N
P131263	Rural Electrification and Renewable Energy Development II	Y	Y	Y	Y	Y	N	N
P127743	Second Rural Alliances Project	Y	Y	Y	Y	Y	Y	N
P123923	Forest Fire Response Project	N	N	N	Y	S	Y	Y
P118783	Managing Natural Hazards Project	Y	N	Y	Y	Y	Y	N
P127156	Second Road and Safety Improvement Project	N	N	N	Y	S	N	N
P123820	Remote Rural Communities Development Project	Y	S	Y	S	Y	Y	N
P130421	Second Regional Development Project	N	N	N	Y	Y	N	N
P131094	Disaster Risk Management Project	S	N	N	Y	Y	Y	N
P125405	National Program for Community Empowerment in Urban Areas	Y	Y	Y	Y	S	N	N
P127861	Badia Ecosystem and Livelihood Project	Y	N	Y	Y	Y	Y	N
P132101	Emergency Infrastructure Preservation & Vulnerability Reduction Project	Y	Y	Y	S	Y	Y	N
P132500	National Community Driven Development Project	Y	Y	N	Y	Y	Y	N
P127088	Adaptation of Nicaragua's Water Supplies to Climate Change	Y	Y	S	Y	Y	Y	N



	3.2	3.3	3.4	3.5	4.1	4.2	4.3	4.4	4.5	4.6	4.7
	N	N	N	N	N	N	N	N	N	N	N
	N	N	N	N	N	N	N	N	N	N	Y
	N	N	N	N	N	N	N	Y	Y	N	N
	N	N	N	N	Y	N	N	Y	N	Y	S
	N	N	N	N	N	N	N	Y	N	S	Y
	S	N	N	N	N	N	N	N	N	Y	N
	N	N	N	N	Y	N	Y	Y	S	N	N
	N	N	N	N	N	N	N	Y	S	Y	N
	N	N	Y	Y	Y	Y	N	N	S	Y	Y
	N	Y	N	N	N	N	N	Y	S	N	N
	N	N	Y	Y	N	N	N	N	N	N	S
	N	N	N	N	N	N	N	Y	Y	N	N
	N	N	N	N	N	N	N	N	N	Y	Y
	N	N	N	N	N	N	N	N	Y	N	S
	N	N	Y	Y	Y	N	Y	Y	Y	N	Y
	N	N	N	N	S	N	S	N	S	S	Y
	N	N	N	N	Y	N	N	N	N	Y	Y
	N	N	N	Y	N	N	N	Y	Y	Y	Y
	N	N	N	N	N	N	N	N	Y	N	Y
	N	N	Y	Y	S	N	S	N	S	Y	Y

## ANNEX 4. ASSESSED PROJECT RESULTS (CONT.)

PROJECT ID	PROJECT NAME	1.1	1.2	1.3	2.1	2.2	2.3	3.1
P126504	Enhancing the Climate Resilience of the West Coast Road	Y	Y	N	Y	Y	Y	N
P125803	Road Rehabilitation and Maintenance Program	N	N	N	Y	Y	Y	N
P120561	Ecotourism and Conservation of Desert Biodiversity	N	N	S	Y	Y	N	N
P127955	Solid Waste Sector DPL3	Y	Y	Y	Y	Y	N	N
P143645	First Power and Gas Sector DPO	Y	Y	S	N	N	N	N
P094183	Agricultural Productivity Program for Southern Africa	Y	Y	Y	Y	Y	Y	N
P126856	Jiangxi Poyang Lake Basin and Ecological Economic Zone Small Town Development Project	S	Y	N	Y	Y	Y	N
P128867	Jiangxi Wuxikou Integrated Flood Management Project	Y	Y	N	Y	Y	N	N
P125022	Beijing Rooftop Solar Photovoltaic Scale-Up (Sunshine Schools) Project	S	N	N	Y	Y	N	N
P101578	Energy Sector Development Project	Y	Y	Y	Y	Y	N	N
P130339	Second Kerala State Transport Project	Y	Y	N	Y	Y	Y	N
P127486	Sustainable Agriculture and Climate Change Mitigation Project	N	N	S	N	Y	N	S
P130222	Scaling-up Participatory Sustainable Forest Management Project	Y	Y	Y	Y	Y	Y	Y
P126813	Ma'anshan Cihu River Basin Improvement Project	N	N	N	Y	Y	Y	N
P127876	Road Rehabilitation and Safety Project	N	N	N	Y	Y	Y	N
P127723	São Paulo Sustainable Transport Project	Y	Y	N	Y	Y	Y	Y
P127163	Second Municipal Development Project	Y	Y	N	Y	Y	Y	N
P129713	Urban Development Project	Y	Y	Y	Y	Y	Y	N
P114949	Water Resources Development Project	Y	Y	N	Y	Y	N	N
P127254	Second Phase of Strengthening Climate Resilience Project	Y	Y	Y	Y	Y	Y	N
P125866	Recovery and Reform Support Credit Program	Y	Y	N	S	N	N	N

3.2	3.3	3.4	3.5	4.1	4.2	4.3	4.4	4.5	4.6	4.7
N	N	Y	Y	Y	Y	Y	Y	Y	N	Y
N	N	N	N	N	N	N	Y	Y	S	N
N	N	N	N	N	N	N	Y	Y	N	S
N	N	N	N	Y	Y	N	Y	Y	Y	Y
N	N	N	N	Y	Y	N	Y	Y	Y	Y
N	N	N	N	S	Y	N	Y	N	Y	N
N	N	N	N	Y	Y	Y	N	N	N	N
N	N	S	Y	N	N	N	Y	Y	N	N
N	N	N	N	Y	N	N	N	N	N	N
N	N	N	N	Y	Y	N	Y	S	N	Y
S	N	N	N	Y	N	N	Y	Y	Y	N
N	Y	N	N	N	N	N	Y	N	S	N
N	Y	N	N	N	N	N	Y	Y	N	Y
N	N	N	N	Y	N	N	N	S	N	N
N	N	N	N	N	N	N	N	S	Y	N
N	Y	Y	Y	y	N	Y	Y	Y	N	N
N	N	N	N	N	N	N	N	N	N	Y
N	N	N	N	N	N	Y	Y	Y	N	Y
N	N	S	Y	Y	N	Y	Y	Y	N	Y
N	N	Y	Y	Y	Y	Y	Y	Y	S	Y
N	N	N	N	Y	Y	N	Y	Y	Y	N



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## ENDNOTES

1. Defined by the World Bank as the percentage of people living on less than \$1.25 a day
2. Larsen and Ballesteros (2013); Ballesteros and Nakhooda (2010); Herbertson, Thompson, and Goodland (2010); Ranganathan, Irwin, and Repinski (2009); Nakhooda (2008); Seymour (2006).
3. Included sectors: agriculture, fishing and forestry, energy and mining, housing construction and petrochemicals and fertilizers, transportation, water, sanitation and flood protection; and public administration of the above sectors.
4. See World Bank (2009a).
5. This assessment only looked at World Bank (IBRD and IDA) projects, not the wider World Bank Group.
6. See World Bank/IEG (2011b) for a report that evaluates safeguards implementation. A 2013 WRI working paper (Larsen and Ballesteros 2013) looked at the strengths and weaknesses of various safeguard approaches used by the World Bank.
7. Due to the way sectoral percentages are calculated, some projects from excluded sectoral classifications were included in the assessment (see Annex 1 for more information).
8. Other operational safeguard policies include those on indigenous peoples (OP 4.10), natural habitats (OP 4.04), and involuntary resettlement (OP 4.12). (The full list can be found on the World Bank's Safeguard Policies website.)
9. To access all referenced World Bank projects, visit the World Bank Projects & Operations website (<http://www.worldbank.org/projects>) and search by project name.
10. In the World Bank's 2012 Environment Strategy, provisions to understand the GHG "footprint" of World Bank projects were included in certain sectors where methodologies and tools exist to do so from mid-2013 onwards.
11. The system builds on the OECD's Rio Markers on Climate Change (June 6, 2012) to track aid flows that support climate change activities.
12. Before the event.
13. Relevant World Bank strategy documents include World Bank (2012c), World Bank (2005a), and World Bank (2012e).
14. Project implementing units (PIUs) and similar arrangements, such as project coordinating units (PCUs), are stand-alone "cells" that were first put in place in newly independent developing countries to mitigate project risk in countries with weak capacity by responsibly implementing and reporting on the project's adherence with World Bank policies and guidelines.
15. See the Greenhouse Gas Protocol, particularly Financial Sector Guidance for Corporate Value Chain (Scope 3) Accounting and Reporting
16. The Board of Executive Directors consists of the World Bank Group president and twenty-five executive directors.
17. A project value of \$0 arises when the committed amount comes from other sources like the Global Environment Facility, but is administered by the World Bank.
18. Average deviation is calculated as follows:
 
$$D = \frac{1}{n} \sum_{i=1}^n (p_{i,f} - p_{i,s})^2$$

where  $D$  stands for the average deviation,  $n$  for the number of subgroups,  $p_{i,f}$  for the proportion of subgroup  $i$  in the filtered portfolio, and  $p_{i,s}$  for the proportion of subgroup  $i$  in the sampled portfolio.



## ACRONYMS LIST

AF	Additional financing
APL	Adaptable program loan
CAS	Country assistance strategy
CO <sub>2</sub>	Carbon dioxide
CIF	Climate Investment Funds
CPF	Country partnership framework
DPL	Development policy lending
DPO	Development policy operations
EA	Environmental assessment
ERL	Emergency recovery loan
G8	Group of Eight
GHG	Greenhouse gas
IBRD	International Bank for Reconstruction and Development
IDA	International Development Agency
IFC	International Finance Corporation
IEG	Independent Evaluation Group
IPF	Investment project financing
OECD	Organisation for Economic Co-operation and Development
OP	Operational policies
ORAF	Operational risk assessment framework
PCU	Project coordinating unit
PIU	Project implementing unit
PPCR	Pilot Program for Climate Resilience
SIL	Specific investment loan
TAL	Technical assistance loan
TTL	Task team leader
tCO <sub>2e</sub>	Metric tons of CO <sub>2</sub> equivalent

## NOTES

- Unless otherwise noted, all dollars are U.S. dollars.
- All tons are metric tons.
- Percentages are rounded so some may not add up to 100 percent.

## DEFINITIONS

**Additional financing:** Expansion of an original project to include new activities, or to finance unanticipated cost overruns associated with the original project.

**Carbon finance:** Funds used to purchase greenhouse gas emissions reductions generated by projects.

**Climate finance:** Capital flows that target low-carbon and climate-resilient development.

**Integrated sustainable development plan:** A country or region's multi-sectoral, strategic planning document that outlines key development challenges and strategies to overcome these challenges, drawing upon economic, social, and environmental pillars of development.

**REDD+:** Reducing emissions from deforestation and degradation, including the role of conservation, sustainable management of forests, and enhancement of carbon stocks.

**Rio + 20:** The United Nations Conference on Sustainable Development, which took place in Rio de Janeiro, Brazil in June 2012, 20 years after the 1992 Rio Earth Summit.

**Safeguard:** A rule or institution that provides the functions necessary to meet social and environmental minimum standards. These rules and institutions can be provided by the investor and/or the recipient country.

**Sectors:** High-level grouping of economic activities based on the types of goods or services produced. Sectors are mutually exclusive and used to indicate which part of the economy is supported by World Bank intervention.

**Themes:** Goals/objectives of World Bank activities consistent with the World Bank's corporate advocacy and global public goods priorities. Themes are also used to capture support for the Millennium Development Goals.

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## ABOUT WRI

WRI is a global research organization that works closely with leaders to turn big ideas into action to sustain a healthy environment—the foundation of economic opportunity and human well-being.

### Our Challenge

Natural resources are at the foundation of economic opportunity and human well-being. But today, we are depleting Earth's resources at rates that are not sustainable, endangering economies and people's lives. People depend on clean water, fertile land, healthy forests, and a stable climate. Livable cities and clean energy are essential for a sustainable planet. We must address these urgent, global challenges this decade.

### Our Vision

We envision an equitable and prosperous planet driven by the wise management of natural resources. We aspire to create a world where the actions of government, business, and communities combine to eliminate poverty and sustain the natural environment for all people.

### Our Approach

#### COUNT IT

We start with data. We conduct independent research and draw on the latest technology to develop new insights and recommendations. Our rigorous analysis identifies risks, unveils opportunities, and informs smart strategies. We focus our efforts on influential and emerging economies where the future of sustainability will be determined.

#### CHANGE IT

We use our research to influence government policies, business strategies, and civil society action. We test projects with communities, companies, and government agencies to build a strong evidence base. Then, we work with partners to deliver change on the ground that alleviates poverty and strengthens society. We hold ourselves accountable to ensure our outcomes will be bold and enduring.

#### SCALE IT

We don't think small. Once tested, we work with partners to adopt and expand our efforts regionally and globally. We engage with decision-makers to carry out our ideas and elevate our impact. We measure success through government and business actions that improve people's lives and sustain a healthy environment.

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