

AFRICAN DEVELOPMENT BANK GROUP



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

MANAGEMENT RESPONSE TO OESU/OPEV REPORT*

ADDENDUM

**OPERATIONS EVALUATION DEPARTMENT
(OPEV)**

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MANAGEMENT RESPONSE TO OESU/OPEV REPORT ON “EVALUATION OF THE PERFORMANCE AND EFFECTIVENESS OF THE AFRICAN DEVELOPMENT BANK’S ENVIRONMENTAL POLICY AND ENVIRONMENTAL ASSESSMENT PROCEDURES”

1. General Observations

1.1 This report, compiled during the period of April - June 1999, reviews the performance and effectiveness of the implementation of the Environment Policy from 1993 till the end of 1998, and recommends a basis for its revision and updating. The specific objectives of the review are:

- to provide an overview of the status of the implementation of the Environmental Policy directives and the Bank’s institutional response;
- to evaluate the quality of the Environmental Assessment work prepared for the Bank through an analysis of Environmental Impact Assessment (EIA) reports;
- to examine implementation experience in projects subject to a full EIA.

1.2 The study was undertaken in a fully participatory fashion and went through the entire review process. The study was especially timely in that it was linked to the development of the Terms of References for the revision of the Bank’s 1990 Environmental Policy as well as the 1992 Environmental Review Procedures. In this regard, both these tasks are now underway with bilateral funding (policy work funded by Norway and Procedures work by Canada).

1.3 The report notes that the Environmental Policy document contains a specific set of directives accompanied by a strategy, which laid down a clear work program for implementing the policy. The Policy identifies two objectives:

- “to incorporate environmental considerations into the policy formulation, project design and project implementation, and secondly”;
- to “help (Regional Member Countries) RMCs improve their environment and sustain their natural resources.”

1.4 The report points out that the bulk of the policy implemented to date addresses the first objective and relates largely to operationalizing the policy within the Bank. The Environment and Sustainable Development Unit (OESU) was created and staffed, with an additional five environmental specialists placed in the Country Departments (CDs). The OESU has added other crosscutting specialists and is now preparing policy papers on crosscutting issues, which will eventually be wrapped, with environment, into a sustainable development policy. The study recommends that more emphasis be placed on assisting the RMCs on building their capacity for environmental management.

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1.5 The report also notes the importance of the environmental categorization of all projects be done at the Project Brief stage so that ecological and social factors are integrated with technical and economic data during preparation. An analysis of new projects categorized each year, indicated that the number of projects assigned to (Environmental Assessment) EA Category 1 has remained relatively stable, while the number of projects assigned to Category 2 has shown a steady increase. This would therefore translates into more work load for environmental officers. Future allocation of resources for management of the environmental portfolio was therefore pointed out as a priority item.

1.6 The report points out the importance of the CD Environmentalists in the Country Departments in terms of their role in helping RMCs develop their environmental capacities. The CD Environmentalists should be responsible for implementing and monitoring the Environmental Policy at the country level with their job description prepared by OESU in close consultation with the Country Department (CD) Directors. They would receive backup support and policy direction from OESU.

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

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

1.9 On the whole the study has identified a number of ways the Environmental Policy can be clarified and strengthened to prepare it to encourage RMCs to make environmental considerations an integral part of national development planning. The main recommendations suggested in the study are:

- to increase resource support at the operations level to allow Country Environmental Officers to hire outside assistance to service the growing environmental portfolio;

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- to clarify the responsibilities of the CD Environmentalists and harmonize their job descriptions among the different Country Departments;
- to provide refresher environmental workshops at the operations and RMC level;
- to emphasize the preparation of an Environmental Management Plan as a component of Category 1 and selected Category 2 projects; and
- streamline Private Sector loans to make them more competitive and in harmony with other lenders;

1.10 The attached Matrix summarises the main recommendations made in the study and follow-up actions required to improve the environmental management both within the Bank and at the Country level. The Matrix also includes a column summarizing the status and progress made in implementation since the report was finalised in 1999. Majority of the recommended actions has been addressed or is under implementation.

2. Specific Observations

2.1 The report draws conclusions on the implementation experience of Environmental Assessments carried out during the review period between 1993-1998. The report notes that the project life cycle at the Bank is typically 5+ years and that the Project Completion Reports (PCRs) and Project Performance and Audit Reports (PPARs) are carried out at least a year or more after the project finishes. This implies that PCRs and PPARs were available only for projects that became effective in the early 1990s or before, meaning that some of the projects reviewed had been prepared before the implementation of the Environmental Policy and for which an EIA was not prepared.

2.2 The report finds that the overall, the general quality of the sample EIAs suggests room for improvement. The majority of the reports reviewed scored reasonably well for the EIA components “assessment of impacts” and “mitigation measures”. However, greater concern was related to the components of “alternatives”, “public consultation” and “management plan”. The Review considers the Environmental Management Plan the most important outcome of the EIA and a large number of the EIAs examined had “inadequate” management plans. The report recommends that a strong emphasis be placed on the preparation of a stand-alone Environmental Management Plan complete with budget. In actuality, the quality of EIAs has now been greatly improved as the Bank uses standard Terms of Reference for EIAs for various sectors. The Operations Review process also requires OESU input at an early stage of the project cycle with appropriate provisions for public consultations/disclosure and development of environmental management and monitoring plan. A greater frequency of Bank’s supervision missions also helps further to ensure that borrowers live up to their commitments to comply with Bank’s Environmental Policy and Guidelines.

2.3 The timing of the study coincided with the period during which the Bank’s development of the Vision Paper and update of the Operations Manual was underway. As such the main

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recommendation of the study related to mainstreaming of all the crosscutting issues (including environment) have been incorporated into the revised Operations Manual. For example, the formats recommended in the Operations Manual for Bank documents for each stage of the project cycle, specify crosscutting issues as an important element. The CSP preparation mission and follow-up dialogues also incorporate crosscutting issues.

2.4 The review notes weaknesses in categorising projects whereby some projects were categorized rather late in the project cycle. This is no longer an issue now with firstly greater number of personnel available in OESU for project categorisation. The procedure is also more full proof due to a more stringent review process, which requires that all the Project Briefs while they are entered into the PALMS include relevant project categorisation information. OESU's Environmental Resource Centre (ERC) also maintains an updated database on categorization of all current projects. This system will be further improved when the PALMS database is replaced by a new computerised Software Application Program (SAP), under development as part of the Project Africa.

2.5 While the study was underway, OESU had organised training workshops conducted by the Stockholm Environment Unit (SEI) for all operations staff on crosscutting issues. The training culminated in the development of "Easy Reference Guides" (ERGs) for the use of operations staff to address crosscutting issues at the various stages of the project cycle. Further assistance of SEI is under discussion to streamline the ERGs so that they can be directly incorporated into the Operations Manual to lend consistency across various Country Departments and sectors.

2.6 The need to have greater coordination and better definition of roles/responsibilities of OESU environmentalists and Country Department environmentalists is being addressed in the revision of the Environmental Review Procedures and will also be clear after the completion of the Reorganization Study. In the interim period, OESU and CD Environmentalists routinely get together when categorising projects in the lending program and exchange projects information.

2.7 Related to the Bank's Private Sector operations, an Environmental Review Procedures tailor-made to private sector projects was developed in 2000. This is greatly facilitating early dialogues with potential borrowers and notifying them of Bank's environmental requirements, especially the need for public consultations and also public disclosure 120 days for Category 1 projects prior to the Board approval of the project. IFC and EBRD (for private sector) have 60 day rule. The constraint of 120 days holding period noted by the consultant is not an issue for the Bank's private sector operations as financial and other issues take longer to reach an agreement with borrowers. Besides, other sister organizations (e.g, the InterAmerican Bank and Asian Development Bank) have retained 120 days for private sector operations. As such, AfDB does plan to reduce the 120 day holding period to 60 days.

2.8 The Bank recognizes that the process of improving environmental management in the Bank as well as at the Country level is a dynamic process. In this spirit, the Bank is closely collaborating with other major lending institutions through the Multilateral Financing Institutions – Environmental Group (MFI-EG) forum. Through this forum, the Bank stays abreast of the progress made in these other institutions in the area of environment. The Bank also benefits by participating in this forum by influencing on the "good practices" being adopted by the Bank.

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Bank's proactive approach to address environmental and social issues in an integrated manner is one such example. In particular, OESU plans to present its improved project categorisation procedure based on an integrated environmental and social issues at the next MFI-EG planned for April 2001.

3. Conclusions

The study has served the Bank well as it was performed at an opportune time when the Bank was planning the revision of the existing Environmental Policy and Procedures. As reflected in the attached matrix, a majority of the recommendations made in the study has been implemented or are under implementation. The revision of Bank's Environmental Policy and Environmental Review Procedures, which are currently underway, will further reinforce the implementation of the action plan and help improve the environmental management of Bank financed projects and programs.

MATRIX OF MAIN RECOMMENDATIONS AND UPDATED FOLLOW-UP ACTIONS
(October 19, 2000)

ASSESSMENT AREA/ MAIN RECOMMENDATION AND FOLLOW-UP ACTION	RESPONSIBLE DEPARTMENTS/ STATUS / PROGRESS TO DATE
<p><u>1. Policy Implementation</u></p> <p>1.1 The Bank should give top priority to encouraging RMCs to make environment part of their national development planning by: (i) encouraging greater participation of environmental staff in Country Strategy Papers, (ii) promoting environmentally beneficial projects and, (iii) supporting RMCs to develop and strengthen existing institutional and human resource capabilities to undertake environmentally sound management.</p> <p>1.2 Environment should be linked into the APPR, particularly Category 1 projects so that environmental audits can be conducted as a review of the environmental portfolio performance as part of the APPR.</p> <p>1.3 The Bank should give top priority to increased funding, to provide environmental staff with consulting support to manage the environmental portfolio, and to RMCs for environmental project support and institutional capacity building.</p> <p>1.4 Hire an Environmental Economist</p>	<p>CDs/OESU – Implemented</p> <p>1.1 (i) As required by Bank’s Operational Manual, CSP address crosscutting issues including environment. CSP missions and follow-up dialogues also include at least one crosscutting expert. Stakeholder consultations are also part of CSP missions; (ii) Bank’ lending program includes several projects which have substantial environmental component. For example, Zambia Village Based Woodlands Management Program; which will also have a parallel project financed by the Global Environment Facility (GEF); (iii) Bank in cooperation with UNECA and UNEP is assisting RMCs to develop the Common African Position for the Rio+10 Conference on Sustainable Development.</p> <p>1.2 Bank has developed Environmental Audit Guidelines, which have been field-tested. Bank’s supervision missions and Country Performance Reviews also now address environmental management. The APPRs would therefore also be able to incorporate environmental ratings.</p> <p>1.3 When internal resources between CDs/OESU have not been adequate, environmental consultants are included in the mission team, provided through either Bank’s budget or bilateral resources. Furthermore, the training provided to Bank’s Task Managers also allows them to address environmental issues for simple missions.</p> <p>1.4 A number of Bank staff, particularly CD Environmentalists have received training in environmental economics. Bank in collaboration with the World Bank Institute (WBI) also organized training for staff and RMC officials.</p>
<p><u>2. Institutional Aspects</u></p> <p>2.1 OESU should consider categorizing studies as S1, S2, or S3 as a <u>guide</u> to those preparing the TOR for the study, that an S1 or S2 should include the collection of preliminary environmental data as part of the study. That would allow more accurate Categorization for the Project Brief and help integrate environmental data into project preparation.</p>	<p>CDs/OESU – Underway/Implemented</p> <p>2.1 The new proposed Categorisation System is under development. Bank has engaged a team of consultants who are currently facilitating the revision of Bank’s Environmental Review Procedures to be completed by 1st Quarter 2001.</p>

<p>2.2 Country Departments should be encouraged to add the project EA Category to their active country programme database.</p> <p>2.3 OESU should consider establishing a computerized Environmental Tracking System in the Environmental Resource Centre to collect data and track implementation of environmental aspects of the Bank's Category 1 and 2 projects.</p> <p>2.4 The Bank needs to consider increased budget allocations for environmental staff field requirements, and environmental consulting support services, at the Country Operations level.</p> <p>2.5 Clarification of the responsibilities and role of CD Environmentalists, harmonisation of their job descriptions and giving them the appropriate authority.</p> <p>2.6 OESU should encourage EIA consultants to interface with local NGOs during the preparation and operation of the public consultation phase of the EIA to facilitate the integration of local views and aspirations.</p> <p>2.7 OESU should consider a refresher round of workshops, at the country operation and RMC level, on environment as a project-planning tool, its role in contributing to sustainable development, and means of strengthening RMC capabilities, in the development and design of Bank programmes and projects. Target groups for the workshops should include Task Managers and RMC environmental agencies involved in Category 1 and 2 projects.</p>	<p>2.2 Underway as part of SAP in Project Africa.</p> <p>2.3 Initial database has been established. Computerised version of tracking system is under development in SAP as part of the Project Africa.</p> <p>2.4 Covered under 1.3 above.</p> <p>2.5 Being addressed as part of Bank's Reorganisation Study as well the revision of the Environmental Review Procedures underway.</p> <p>2.6 This is being implemented in fulfilment of Bank's new Policy on Cooperations with Civil Society Organisations (CSOs). Bank's Public Disclosure Policy also requires public consultation/disclosure of environmental issues. Bank has also started posting environmental information on projects on Bank's Public Information Centre (PIC) for all Category 1 and 2 projects.</p> <p>2.7 Bank with the assistance of Stockholm Environment Institute (SEI) conducted comprehensive training for operations staff on crosscutting issues. SEI's assistance has been sought to institutionalise the training and also help mainstream crosscutting issues through inclusion in Bank's Operations Manual.</p>
<p>3. Quality of EIAs</p> <p>3.1 In preparing TOR for EIAs the Bank should put particular emphasis on the preparation of a "stand-alone" Environmental Management Plan as an outcome of the study. The Environmental Management Plan should generally contain the following elements: mitigation measures, schedule of implementation, responsible agency, budget, monitoring plan, schedule of implementation, responsible agency, budget, training, other institutional strengthening measures.</p> <p>3.2 The Bank should consider the modification of the</p>	<p>CDs/OESU - Implemented</p> <p>3.1 This has been done in recent Bank projects. The new Environmental Review Procedures under development will also explicitly reflect this requirement.</p> <p>3.2 Underway as part of the revision of Bank's</p>

<p>EA procedure into an Environmental Planning Process that will integrate ecological, social and environmental economic expertise into all stages of the Bank's existing project cycle.</p>	<p>Environmental Review Procedures which will emphasize integrating environment, social issues and economic.</p>
<p>4. Influence of EA in Project Preparation</p> <p>4.1 The Initial Project Brief must include an EA Categorization before it can be forwarded to the CD Director for approval and entry into the project pipeline.</p> <p>4.2 OESU should design an Environmental Category Justification Form to be attached to the Initial Project Identification sheet. This will provide a record of the rationale for the EA Category. It should be a standard form for all the CDs.</p> <p>4.3 The Environmental Management Plan should be mentioned as a component of the project in Appraisal Reports. As a project component, with an attendant budget, it is more likely to be referred to in the legal agreement.</p>	<p>CDs/OESU – Implemented/Underway</p> <p>4.1 Being addressed as part of the revision of the Bank's Environment Review Procedures underway. CDs submit all Project Briefs to OESU when requesting categorization.</p> <p>4.2 For Public Sector Projects same as 4.1 above. This has already been implemented for Private Sector projects, which is similar to the practice at IFC.</p> <p>4.3 This is a required by OESU as part of the Operations review procedure. The revised Environmental Review Procedures will also highlight this requirement.</p>
<p>5. Project Implementation – EA Experience</p> <p>5.1 Environmental Management Plans, or EIAs, be considered essential project documents for future Project Completion Report and PPER reference, and be entered into the Bank's filing and archiving system by the Documents Division of the Secretary General's Office.</p> <p>5.2 Environmental Officers should participate in PCR and/or PPER for all Category 1 projects, and at their discretion for Category 2 projects.</p> <p>5.3 When RMC environmental agencies are responsible for monitoring or implementing the Environmental Management Plan they should participate in loan negotiations.</p> <p>5.4 The Bank should provide a definition of "sustainability", or different types of sustainability, with criteria and related guidelines, to clarify and standardise the use of the term in project documents.</p>	<p>CDs/OESU – Underway</p> <p>5.1 Being handled as part of the documentation archiving procedure in Project Africa.</p> <p>5.2 Being carried out.</p> <p>5.3 RMC officials do participate when environment is a significant portion of the project loan. Bank's environmental officers also participate in loans negotiation and project launching, which provides opportunity for further interactions.</p> <p>5.4 Revision of Environmental Policy to be initiated in late 2000 will address this issue.</p>

<u>6. Special Issues</u>	CDs/OESU/OPSD – Underway/Implemented
<p>6.1 Environmental management plans for selected Category 2 projects should be prepared during project preparation and be included as a project component in the Appraisal Report. OESU and Country Environmental Officers should devise a set of criteria to identify those projects where a significant management plan is required.</p>	<p>6.1 Being done routinely now.</p>
<p>6.2 Increased budgetary and manpower, or consultant, resources will be needed to adequately service the portfolio of Category 2 projects.</p>	<p>6.2 Being provided by larger pool of crosscutting experts and staff training to Bank's task Managers. Bank also hires consultants using either Bank funds or bilateral resources to ensure that all relevant missions include an environmental experts.</p>
<p>6.3 The Bank should consider reducing the waiting period, before Board presentation, for Category 1 projects in the Private Sector investment portfolio from 120 days to 60 days. That would bring the ADB in line with the IFC, and make it more competitive in this growing market.</p>	<p>6.3 Not currently planned as the Inter-American Development Bank (IDB) and Asian Development Bank (AsDB) both still have 120 Days for Private Sectors. The revision of the Bank's Environmental Review Procedures will look into this further.</p>
<p>6.4 The Bank should consider introducing an ISO14001 Standard requirement into the Private Sector lending programme for selected types of loans.</p>	<p>6.4 Already being done. As an example, Bank's loan to the Alexandria Iron & Steel manufacturing company in Egypt has implemented ISO 14001 system.</p>