

38176

PAPER NO. 110

ENVIRONMENTAL ECONOMICS SERIES

Environment in 2005 Country Assistance Strategies

Sunanda Kishore

November 2006



THE WORLD BANK ENVIRONMENT DEPARTMENT

Environment in 2005 Country Assistance Strategies

Sunanda Kishore

November 2006

© The International Bank for Reconstruction
and Development/THE WORLD BANK
1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.

Manufactured in the United States of America
First printing November 2006

Contents

ABSTRACT v

ACKNOWLEDGMENTS vii

Chapter 1 — Context and Background 1

Chapter 2 — Analyzing Environment in CASs 3

Methodology 3

Integrating Environment in CASs 3

Chapter 3 — Good Practice in Country Assistance Strategies 7

Issue Identification 7

Treatment 8

Mainstreaming 10

Environment and Poverty Linkages 11

Environmental Policies 12

Chapter 4 — CAS Trends 15

Chapter 5 — Conclusions 19

REFERENCES 21

Appendix A — Criteria for Ranking CASs 23

Appendix B — Best Practice CASs 25

BOX

1 Priority CASs 7

FIGURES

1 CAS Rankings by Theme 5

2	CAS Rankings by Region	5
3	Problem Identification and Diagnosis	8
4	Treatment of the Environment	9
5	Mainstreaming the Environment	10
6	Tracing Poverty–Environment Links	11
7	Environmental Policies	12
8	Thematic Comparison(1999, 2000/01, 2003/04, 2005)	15
9	Regional Comparison (1999, 2000/01, 2003/04)	15
10	Changes in the CAS Performance Over Time (Baseline FY99)	16
11	Changes in the CAS Performance Over Time (Baseline 2000/01)	16

TABLES

1	Environmental Assessment of Country Assistance Strategies (FY05)	4
2	Regional Variations in Country Assistance Strategies	5

Abstract

Country Assistance Strategies (CASs) have been periodically reviewed from a variety of different perspectives. This review assesses how environment is integrated in CASs for 2005 and also compares the progress made by 37 countries over the period of 1999–2005. Five themes are used to assess the 23 CASs across an established methodology also used in previous reviews. The five themes are: Issues Identification, Treatment, Mainstreaming, Environmental Policy and Poverty-

Environment Linkages. The review finds that the treatment of environment in CASs has only marginally improved. However, the positive aspect is the increase in the number of good practice cases as illustrated by high scores of individual countries under the five different themes. These good practice cases provide lessons and serve as tools for strengthening future CASs. Poverty environment linkages continue to remain the weakest aspect of CASs.

Acknowledgments

This paper was prepared by Sunanda Kishore (Consultant) as a part of the Environment Department's Environmental Policy and Economics Work Program. The author is particularly grateful to Kirk Hamilton (Lead Environmental Economist, Environment

Department), Muthukumara Mani (Senior Environmental Economist, Environment Department) and Priya Shyamsundar (Consultant, Environment Department) for their detailed review and comments on earlier drafts.

1 Context and Background

Integrating environmental concerns in lending and non lending operations of the World Bank is imperative in securing and strengthening a sustainable development agenda. Country Assistance Strategies (CASs) are key instruments through which the World Bank evaluates its lending plans and engages governments and other stakeholders in developing country priorities. CASs are undertaken every 2–3 years and remain central to the policy process that determines the World Bank’s support to client countries. The integration of environmental priorities in CASs ties directly to the World Bank’s Environment Strategy (World Bank 2001).

The Environment Strategy outlines how the World Bank can work with client countries to address their environmental challenges. It was implemented in 2001 in an attempt to streamline and focus efforts toward mainstreaming environment in Bank operation and lending. It underlines the importance of integrating the principles of environmental sustainability into Bank projects and programs.

Also, under the new Operation Policy 8.60, guidelines issued for Development Policy Lending suggest that during the CAS preparation stages, requirements for background analytical work and corresponding environmental capacity building in countries with proposed DPL operations, be identified (Mani 2006). In this analysis it is particularly important to pre-identify countries where DPL operations involve environmentally

sensitive areas, and where there is a need for environmental capacity building. The adequacy and coverage of environmental analysis and actions in CASs, therefore, is a good measure of how environment is integrated and whether progress is being made in the implementation of the Environment Strategy (World Bank 2003).

CASs have been periodically reviewed from a variety of different perspectives. This report reviews how environment is integrated in Country Assistance Strategies for FY05 and also compares the progress made by 37 countries over the period of 1999–2005. The current review is the fourth such review but builds on and updates the results from the previous three reviews (Kishore and Shyamsundar 2005, Belle and Shyamsundar 2002, Shyamsundar and Hamilton 2000).

Of the 23 CASs in the review, 5 are from Africa (AFR), 2 from Middle East/North Africa (MNA), 7 from Eastern Europe and Central Asia (ECA), 4 from Latin America and the Caribbean (LAC), 4 from East Asia and Pacific (EAP), and 1 from South Asia (SAR). The sample reviewed is for documents available as of June 30, 2005.

It is important to note that the present review is based on a desk study of CAS documents. As a result it has the expected limitations: items that appear to be minor in the CAS text may in fact translate into substantial actions on the ground, and *vice versa*. This study should therefore be viewed as an analysis of the stated intentions

of country departments and their country counterparts as they appear in the CAS document. In future the increasing trend towards publishing

implementation completion reports for CASs may permit a more thorough assessment of country programs on environment and natural resources.

2 Analyzing Environment in CASs

This chapter discusses the methodology used and the key results on integrating environment into CASs.

Methodology

As in the previous reviews, five main themes were used to assess the 23 CASs:

- Identification of environmental concerns, priorities or issues in the CAS
- Use of Bank instruments (lending and advisory and nonlending services) to address and alleviate environmental problems
- Initiatives for mainstreaming the environmental concerns into economic, macro, and sectoral policies and analyses
- Environment policies, including regulatory and legislative measures and strategies that are highlighted in the CAS
- Environment–Poverty linkages and whether the effects of environmental changes on poverty are recognized and addressed in the CASs.

Each CAS was rated on a score of 1 to 4 based on its relative performance with regard to each of these themes. A score of 4 reflects best practice; a score of 3 refers to satisfactory performance; 2 suggests marginally satisfactory performance; and 1 is the lowest score, indicating minimal attention to environmental issues. It must be clarified that a score of 4 simply means a “best practice” among the set of CASs that are reviewed but it does not in

any way signify that it is the absolute best that can be done. Although, the methodology followed is identical to the methodology used in the previous reviews, the themes have been modified slightly from the 1999 review. “Incentives,” which was considered as a separate theme in the 1999 report, has been included under Mainstreaming in the current review. Appendix A presents a matrix that lays out the criteria used for the rankings within each theme.

Of the 37 CASs reviewed in 1999 (Shyamsundar and Hamilton 2000) and the 28 CASs reviewed in 2000–01 (Belle and Shyamsundar 2002), 37 countries had another CAS undertaken during the period 2003–05. These 37 countries were assessed for environmental integration either in the 2004 review (Kishore and Shyamsundar 2005) or in the current review. This review captures the progress over time of these 37 countries by assessing if countries show marked improvement in their environmental performance as reflected in the CASs. The average CAS score from 1999 and 2000–01 for each of the 37 countries is subtracted from the average score received by the country in its most recent review. Assessing the progress made by countries as highlighted in their CASs is also important from the perspective of updating and streamlining the Environment Strategy.

Integrating Environment in CASs

Table 1 summarizes how the 23 CASs scored in terms of their environmental performance.

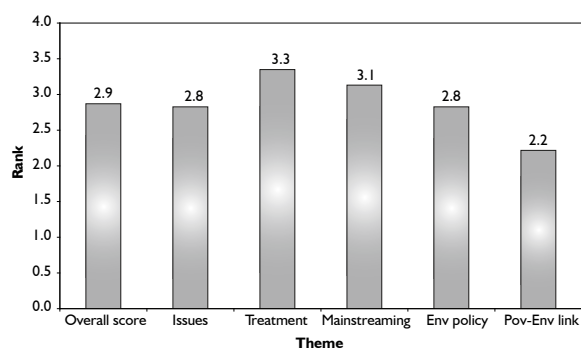
As shown in Table 1, the overall average environmental score for CASs is 2.9, reflecting a slight improvement in the commitment towards integrating environmental concerns over the previous average CAS review score of 2.8 for 2003–04. Also, the variation in the average CAS scores is considerable (2.0–3.8) though shrinking as compared to the previous 2003–04 review (1.4–3.8). Despite the marginal improvement in the average, it must be highlighted that the number of good practice examples has increased considerably as illustrated by a score of 4 under the different themes. Nine countries from the sample of 23 CASs score 4 or good practice in at least two themes. These include: Cambodia, India, Lao PDR, Bosnia and Herzegovina, El Salvador, the

Philippines, Timor Leste, Croatia and Kazakhstan. Good practice examples are taken from these and other CASs.

The CAS Reports have been ranked across five themes. As seen in Figure 1, of the five themes, treatment of environmental priorities continues to receive the highest score (3.3) followed by mainstreaming (3.1). This highlights a trend continued from the past review of 2003–04 where the emphasis on treatment was strong. The poverty–environment link continues to remain the weakest of the five themes in CASs. The ranking under the different themes is discussed in more detail in Chapter 3 of the paper.

Table 1. Environmental Assessment of Country Assistance Strategies (FY05)

	<i>Country</i>	<i>Region</i>	<i>Overall score</i>	<i>Issues</i>	<i>Treatment</i>	<i>Mainstreaming</i>	<i>Env. policy</i>	<i>Pov.-Env. link</i>
1	Cambodia	EAP	3.8	4	4	4	4	3
2	India	SAR	3.6	3	4	4	4	3
3	Lao PDR	EAP	3.6	4	4	3	4	3
4	Bosnia and Herzegovina	ECA	3.4	4	4	3	3	3
5	El Salvador	LAC	3.4	4	4	3	4	2
6	Jamaica	LAC	3.2	4	3	3	3	3
7	Philippines	EAP	3.2	4	3	3	4	2
8	Timor Leste	EAP	3.2	4	2	3	3	4
9	Dominican Republic	LAC	3.0	2	3	4	3	3
10	Sierra Leone	AFR	3.0	2	4	3	3	3
11	Croatia	ECA	2.8	2	4	3	4	1
12	Egypt	MNA	2.8	3	4	3	2	2
13	Kazakhstan	ECA	2.8	2	4	4	3	1
14	Moldova	ECA	2.8	3	4	3	3	1
15	Serbia and Montenegro	ECA	2.8	2	4	3	3	2
16	Cape Verde	AFR	2.6	3	4	3	1	2
17	Nigeria	AFR	2.6	2	3	3	2	3
18	Tajikistan	ECA	2.6	4	3	2	2	2
19	Burkina Faso	AFR	2.4	2	3	3	2	2
20	Morocco	MNA	2.2	2	2	3	2	2
21	Uruguay	LAC	2.2	2	3	3	1	2
22	Poland	ECA	2.0	1	2	3	3	1
23	Sao Tome and Principe	AFR	2.0	2	2	3	2	1
	Average		2.9	2.8	3.3	3.1	2.8	2.2

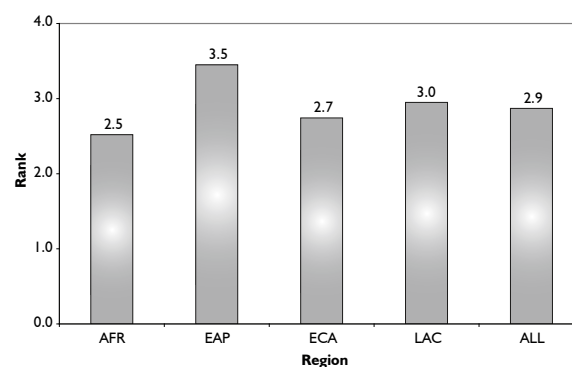
Figure 1. CAS Rankings by Theme

4=Best Practice, 3=Satisfactory, 2=Marginally Satisfactory, 1=unsatisfactory

Table 2 provides the regional summaries. The average scores from EAP and LAC for the current review are consistently higher than the overall average. For issues identification, EAP secured the highest average score of 4.0 over the other regions. With regard to treatment of environmental priorities and mainstreaming, all regions did relatively well. EAP and ECA did relatively better on Environmental Policy as compared to other regions. Poverty-environment links, however, consistent with the previous reviews remains the

weakest of all themes with EAP scoring an average of 3.

As highlighted in Figure 2, the regional variation between the scores is considerable with AFR (2.5) in the lower range and EAP at the upper range (3.5). However, as noted earlier, high scoring countries are varied and good practice examples are identified from countries across the regions. These are discussed in the next chapter.

Figure 2. CAS Rankings by Region

4=Best Practice, 3=Satisfactory, 2=Marginally Satisfactory, 1=unsatisfactory

Table 2. Regional Variations in Country Assistance Strategies

Region	Countries	Issue ID	Treatment	Mainstreaming	Env. policy	Pov.-Env. link	Average
AFR	5	2.2	3.2	3.0	2.0	2.2	2.5
EAP	4	4.0	3.3	3.3	3.8	3.0	3.5
ECA	7	2.6	3.6	3.0	3.0	1.6	2.7
LAC	4	3.0	3.3	3.3	2.8	2.5	3.0

3 Good Practice in Country Assistance Strategies

This chapter provides a detailed analysis on the thematic variability in the average scores. In doing so, several good practices from the sample of 23 CASs are also identified and highlighted. These good practices provide opportunities and lessons for strengthening future CASs.

Issue Identification

The first issue assessed by the review was whether CASs identify and include an awareness of environmental priorities. More specifically, the review focuses on the nature, scale, and scope of existing environmental problems and potential sources of degradation. CASs assessed as “best practice” included a careful discussion of environment problems in the country and the

driving factors linked to these problems. CASs that received an unsatisfactory rating (1) either failed to discuss environmental problems or discussed them only in general terms.

There are, of course, significant differences in the nature of environmental problems faced by countries and regions (see Box 1). The varied environmental problems identified in CASs range from land-use issues, erosion, desertification, water logging, deforestation, water quality and access, marine degradation, air pollution, presence of particulate matter, and species decline to threats to fragile ecosystems.

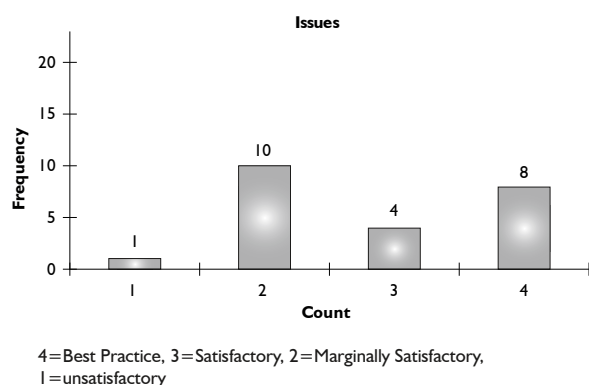
The score of 2.8 for issues identification shows that on average CASs have improved marginally over the previous review (2.7) from 2003–04.

Box 1 Priority CASs

In an attempt at prioritizing the CAS upstream review process (which is a parallel review that feeds into CAS preparation), different approaches were considered based on (i) the level of environmental problems, (ii) the level of environmental lending, and (iii) a quotient of the former two criteria. This exercise also has implications and provides insight into the current CAS retrospective review. As a first prioritizing approach, a rudimentary ranking of environmental problems was developed based on six criteria highlighted in Acharya and others (2004). These six criteria include: biodiversity conservation, climate change, water resources management, land management, pollution management and environmental policy and institutions. Each criterion covered specific and relevant indicators.

The current CAS review includes four countries from the priority list of 20 countries identified based on the rudimentary environmental problem ranking. The countries in the sample are: India, the Philippines, Egypt and Nigeria. The current review shows that the identification of environmental problems in these CASs is also varied, with India and Philippines illustrating good practice examples, Egypt highlighting a satisfactory score, while Nigeria lags behind with a score of 2 on Issues Identification.

Figure 3. Problem Identification and Diagnosis



As Figure 3 highlights, almost one-third of the countries scored as good practice in identifying environmental priorities. A slightly higher number of CASs received a rank of marginally satisfactory. Thus, while many CASs do well in discussing the country’s environmental problems, an equal number could substantially improve in this area.

A range of development problems exists in Bank client countries. Several CASs have given environmental issues their fair due. These best practice CAS reports reveal a keen awareness of environmental problems and the driving forces that shape them. Many of these CASs carefully prioritize among competing environmental problems. For example, the Cambodia CAS clearly lists out key environmental challenges. The CAS highlights that decreasing forest cover, has resulted in reducing biodiversity, increasing erosion, and accelerating river siltation and worsening flooding. In addition to this, the CAS highlights that Cambodia faces other critical environmental issues like untreated wastewater; unsustainable irrigation; inland fisheries and coastal resources degradation.

Jamaica although a small island country provides a detailed assessment of its environmental issues. The CAS states that inappropriate agricultural practices generate a wide range of negative impacts including deforestation, soil erosion,

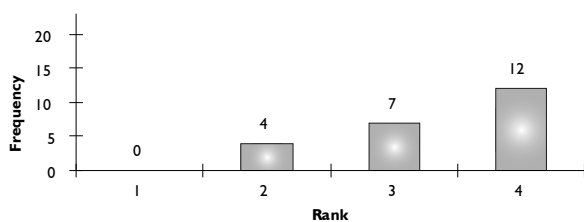
pollution, and degrading marine resources. Of the estimated 30 percent covered by forests, more than 90 percent has been disturbed and degraded. Widespread squatting in environmentally fragile areas has increased the cost of mitigation measures. Inappropriate management of solid and liquid waste has resulted in significant damage to the environment including surface and underground water pollution, clogging of drains and water courses resulting in flooding as well as pollution of beaches, thus adversely affecting the tourism industry.

Another example for good practice in issues identification comes from the Serbia and Montenegro CAS. In Montenegro, for example the CAS highlights environmental problems such as air, water, and soil pollution attributing these to large “hotspot” industries, mines, and plants; lack of satisfactory waste and waste water management; and unsustainable natural resource and coastal zone management.

Treatment

CAS reports were assessed on the extent to which problem identification is translated into Bank programs through lending, nonlending and GEF grants. As revealed in Figure 4, treatment of environmental priorities is good. A large majority of CASs got a rank of 3 or higher. No CAS received a score of unsatisfactory. This is noteworthy!

The emphasis on treatment and the implementation of streamlined environmental projects and programs gained precedence in the previous review of 2003–04. CASs may not respond to all the environmental issues and concerns that exist in the country; however the extent to which they are identified in the CAS reports is significant. Also, the average score obtained for the treatment of the environment is higher in this sample (3.3) as compared to 3.1 from the 2003–04 review.

Figure 4. Treatment of the Environment

4=Best Practice, 3=Satisfactory, 2=Marginally Satisfactory, 1=unsatisfactory

An encouraging feature is that the current review covers a stronger discussion on the implementation of environmental projects and programs. Several CAS reports qualify environmental concerns as triggers to the proposed assistance program.

Many CASs highlight the implementation of environmental programs and projects. For example the Bank's assistance over the four-year period covered by the EL Salvador CAS proposes a strategic program for lending and nonlending services to support the three main pillars of the government's development plan. The third pillar focuses on enhancing security and reducing vulnerability. Under this, the main lending and nonlending programs of the Bank include:

- A Country Environmental Analysis to review policy and institutional framework and make recommendations in the area of sustainable infrastructure development and trade expansion under the Dominican Republic–Central American Free Trade Area
- An Environmental Services Project prepared to support the design and implementation of an environmental services system that sells services to both public and private sectors, and a GEF Grant component to set up the legal and institutional framework for such a project to operate
- A GEF Grant for Integrated Ecosystem Management by Indigenous People and Com-

munities to achieve more effective biodiversity conservation by strengthening capacity of indigenous communities

- A BNPP Regional Grant for the Mesoamerican Biological Corridor to conserve and sustain the natural resources in the country
- A Shocks and Social Protection Study to assess the experience of households in dealing with external shocks, including the agricultural sector.

Another example is presented in the Cambodia CAS which clearly recognizes the importance of natural resources management and the key linkages between natural assets and poverty reduction. The first CAS pillar specifically supports the improvement of transparency and accountability in the governance of natural resources, ensuring security of access to land for smallholders and supporting improvements in state land management. With regard to improving provincial land-use management and accelerated land distribution, the CAS highlights several lending operations in Cambodia. These include the Land Management and Administration Project 1, and the Land Management for Social and Economic Development. The Government has adopted a strategy for prioritizing and monitoring the forest resources through a Forest Concession Management and Control Pilot Project. In addition to this, the CAS highlights several AAA activities for environmental management in Cambodia, including a:

- Poverty-Environment Nexus to improve the environmental and natural resources management coverage of poverty reduction efforts
- Cambodia Environment Monitor to focus on environmental education and awareness raising
- Forestry Policy and Strategy through a Technical Working Group (TWG)
- Land Policy and Strategy

- Support to Agricultural Policy and Strategy through TWG
- Strategic Environment Assessment to provide an assessment of selected priority sectors such as water, land, and forests
- Institutional Development Fund (IDF) to strengthening environmental management capacity at local levels.

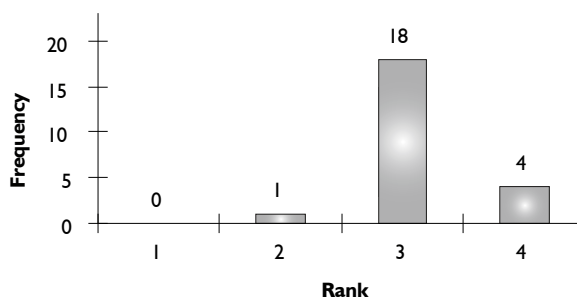
Mainstreaming

Economic activity and environmental issues are strongly tied to each other. Mainstreaming assesses how these linkages are incorporated into analyses and policy design in CASs. CASs are scored in terms of three critical mainstreaming efforts: 1) linkages to macro and growth policies; 2) cross-sectoral links to related sectors such as infrastructure, agriculture, energy, health, water, etc.; and 3) use of incentive mechanisms to treat environmental concerns (such as pricing and fiscal policies, removal of subsidies, property rights reform, etc.).

The current review assesses the awareness of these linkages, the extent to which these linkages are discussed and the level of treatment of these linkages. Cross-sectoral linkages and the awareness that environment is linked to the main engines of growth are the most important attributes of mainstreaming efforts in the CASs. As Figure 5 highlights, with the exception of one country, all CASs reviewed obtained a mainstreaming rank of 3 or higher.

Several CAS reports view environment as impacting or being impacted by macro policies. Countries with macro-environment linkages typically fell into two categories: 1) those with significant, unique and/or fragile ecosystems

Figure 5. Mainstreaming the Environment



4=Best Practice, 3=Satisfactory, 2=Marginally Satisfactory, 1=unsatisfactory

such as coastal island countries of the Caribbean like the Dominican Republic and Jamaica; and 2) countries where potential for economic growth depends on natural resources, agricultural productivity and climatic factors. African countries that fell under this last group are Burkina Faso, Sao Tome, Nigeria, and Egypt.

The CAS from the Dominican Republic highlights Mainstreaming at two levels. On the one hand it links energy reforms with the macroeconomic stability in the country. On the other, it emphasizes the importance of cross-cutting sectoral initiatives that impact the environment. With regard to energy reforms, the CAS links the intermediate indicator of “improvements in the energy sector cash recovery index” to macroeconomic stability, sector competitiveness, and economic growth. With regard to cross-sectoral initiatives, the CAS clarifies that certain lending instruments can achieve multiple outcomes. It provides a clear example of how improving water supply, and solid waste management and sanitation, is expected to positively impact the tourism sector and improve the environment and health of the surrounding communities.

Environment and Poverty Linkages

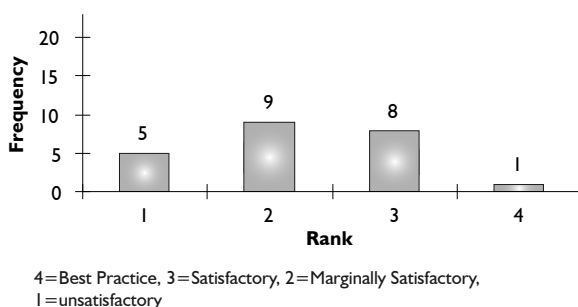
Poverty and environment are inextricably linked. Degradation of natural resources and environmental quality can impact the income, health and productivity of the poor. In this review, we assessed the importance given in CASs to poverty-environment issues such as:

- Environment and livelihoods
- Vulnerability to climate change
- Environmental health links.

The links between poverty and environment remain weak in the CAS reports. As Figure 6 shows, only one CAS received a best practice rating. This variable ranks the lowest with an average score of 2.2 relative to other themes. The ranking is also lower than the score from the 2003–04 review (2.5).

This weakness in capturing the poverty-environmental linkages indicates a need for greater focus on the dynamics of these interactions. A weak score under this theme could very well indicate a lack of understanding about the importance of linking poverty and environment for furthering the development dialogue. It could also be that the recording of these linkages in CAS reports is weak. In either case, if a heightened sense of importance is provided to these linkages, it will enable poverty reduction strategies endorsed in the CASs to be more effective.

Figure 6. Tracing Poverty–Environment Links



The coverage of poverty and environment clearly requires more attention in CASs. Few examples exist where countries make direct linkages between environmental degradation and poverty alleviation, even though poverty reduction is the focus of the Bank's mission.

The only good practice example under poverty-environmental links is provided by Timor Leste. Its CAS highlights that agriculture, livestock, fisheries, and forestry make up 80 percent of all self employment and 33 percent of households rely solely on subsistence agriculture. Environmental degradation is viewed as a significant problem that has an increasing impact on agricultural productivity. The rapidly growing and dispersed population puts tremendous pressure on agricultural land, much of it situated on steep slopes. This is exacerbated by accelerated deforestation following the substitution of kerosene by firewood, the latter now being the most important energy source for 98 percent of households.

Taking the analysis a step further, the CAS states that if the population growth rate of 3 percent is maintained, the current population of 925,000 of Timor Leste will double in 17 years. With significant urban migration in the last five years, Dili's population has grown by 39 percent since 2001. In rural areas, some people have been relocated by the Indonesian administration to return to ancestral homes in more remote, highland areas. These factors present tremendous challenges to the delivery of services in health, education, and infrastructure, and enhance the risk of serious environmental degradation according to the CAS.

There are several other CASs that are worth mentioning. As compared to the previous review, more CASs have captured the environmental health links in the current review. The Dominican

Republic CAS is one such example. It highlights health impacts on the poorer population as a result of:

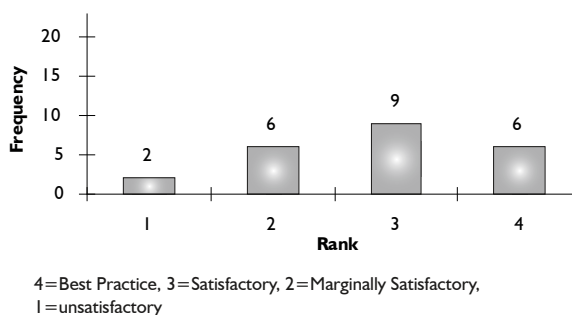
- Living in *Bayetes*, usually precarious dwellings built with low quality, and in some cases hazardous materials, such as asbestos
- Lack of water supply and sanitation leading to the incidence of diarrheal diseases
- Earthquakes, floods, and hurricanes and their effects exacerbated by a lack of watershed management.

The CAS from India also emphasizes the environmental health linkage. It highlights that different studies suggest strong links between reductions in infant/child mortality and increased sanitation coverage, improved water supply and the use of cooking fuels and practices that produce less smoke. Acute respiratory illnesses are associated with solid fuel smoke, and diarrhea is linked to the lack of sanitation and hygiene. These remain the top causes of death of children under 5 years of age in India.

Environmental Policies

CAS reports are also assessed with regard to the various environmental policies and plans, legislation and regulations, institutional capacity and the extent to which the implementation of these policies are reflected in the documents. With Bank operations in different countries, the strength of institutional capacity and legislation in a country greatly influences the level and scope of Bank involvement. As Figure 7 shows, 15 CASs received a satisfactory rank in this area and six were identified as good practice CASs.

Figure 7. Environmental Policies



One best practice example highlighted in the report is from India. The India CAS serves as a good example as it ties together the treatment of environmental priorities with environmental policy. The India CAS highlights that environmental management is supported by the Bank's efforts to promote better governance and more effective public institutions. It stresses the improvement of fiscal management which will ensure reducing or rationalizing poorly targeted subsidies (such as subsidies for power, water, fertilizer, pesticides). A substantial portion of environmental investments is also expected to come from regulated industry, corporations and other polluters. In this respect, the development of a competitive private sector, is expected to improve environmental performance—provided the regulatory framework remains strong. Bank assistance is also expected to contribute to environmental sustainability by reducing vulnerabilities of poor communities to air pollution, dirty water, or the risk of livelihood loss due to natural resource (water, forests, and land) degradation.

More specifically, the CAS highlights that in the forestry sector, for example, an important part of the Bank contribution can be to elicit international

experience on aspects such as: (i) policy and legislation affecting people who live in and around forest areas; (ii) organizational arrangements, including the role of local governments, forest departments, communities, and NGOs; (iii) improving livelihood opportunities for tribal populations; (iv) marketing of forest products; (v) incentives for conservation and sustainable use; and (vi) land use policy from an economic, social, environmental and legal perspective.

Another good example is highlighted from Lao PDR where the CAS supports strengthening of environmental management capacity and policy

across several sectors. The CAS focuses on building government capacity in mining operations to ensure that relevant national and international standards are implemented. In addition to this, based on the Nam Thuen Dam experience, the CAS encourages the government to strengthen public-private partnerships to support the restructuring of the power sector as well as ensure energy efficiency and conservation goals. With respect to water resources management in the Mekong region, the CAS supports developing the country's administrative capacities by encouraging a regional water strategy.

4 CAS Trends

Overall, integration of environmental concerns into CASs appears to be improving, even if marginally, given the score of 2.9. Figure 8 compares CAS Reports reviewed in 1999, 2000/01, 2003/04 with the current scores of 2005 based on the thematic variation. CASs in 1999 received an average score of 2.35 while the 2000/01 CASs did better with a score of 2.65, with a further improvement of 2.8 in 2003–04 to a marginal improvement of 2.9. Although the jump of 2.9 from the previous score of 2.8 is very modest, the graph shows that there has been steady improvement over the years, given the average score from 1999. In the 1999 review, mainstreaming and incentives were two separate categories, while incentives is treated as a part of mainstreaming in all reviews since 2000/01.

With the exception of a relative increase in score for treatment and mainstreaming over the review period, all other themes seem to either remain almost at par with the previous review or have declined (environmental policy and poverty-environmental links). These two areas require greater attention. While increasingly, environmental concerns are linked to macro and sectoral policies, environmental programs are still only weakly integrated with poverty reduction efforts.

Figure 9 shows the total CAS score received by different regions in 1999, 2000/01, 2003/04 and 2005. As the Figure shows, EAP and LAC have steadily improved over the previous review

2003–04, however, only LAC shows a consistent improvement across the entire review period from 1999–2005. CASs from these regions illustrate strong links between issues identification, treatment, mainstreaming, policy, and poverty and environment. Also, the figure highlights that the continuing high CAS scores for ECA from the earlier review of 2003–04 are continued in the current review.

Figure 8. Thematic Comparison (1999, 2000/01, 2003/04, 2005)

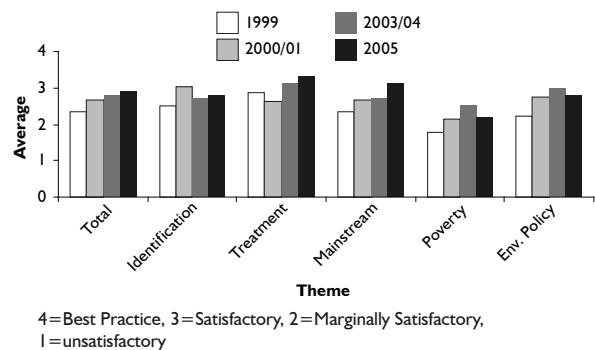


Figure 9. Regional Comparison (1999, 2000/01, 2003/04)

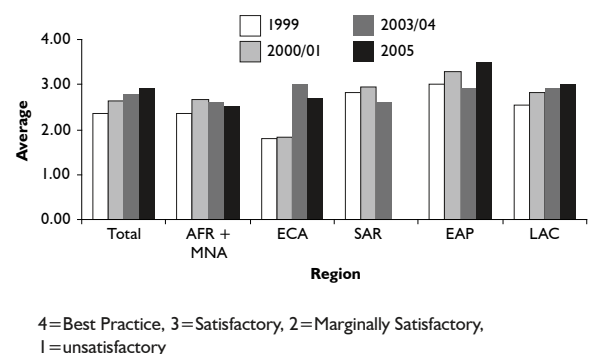


Figure 10 shows the changes in the country CAS scores of those 20 countries from the 1999 Review, which moved into the next CAS cycle recently between FY03 and FY05. Of these 20 countries, six moved to the next CAS cycle in FY05. CAS scores from 1999 were considered base scores and these were subtracted from average scores from the most recent CAS cycles. The figure highlights that most countries moved to the next CAS cycle with better promise of environmental integration. Examples

worth mentioning are: Mali, Macedonia, Bolivia, Tajikistan, Croatia, and Moldova (as they show an improvement of greater than 1).

Similarly, Figure 11 shows the changes in the country CAS scores of those 17 countries from the 2000–01 review, which recently moved into the next CAS cycle. Of these 17 countries, seven moved to their next CAS cycle in FY05. The figure provides a less optimistic picture. Although,

Figure 10. Changes in the CAS Performance Over Time (Baseline FY99)

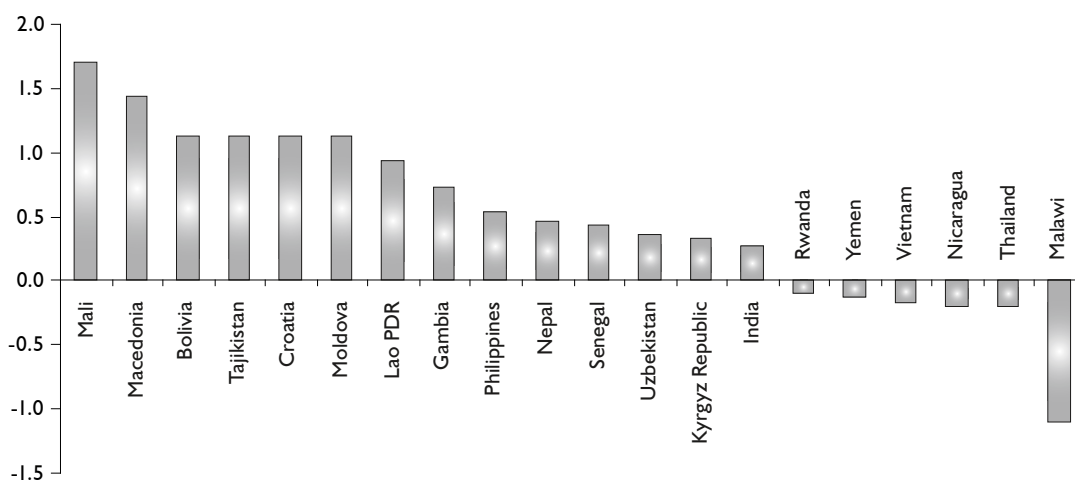
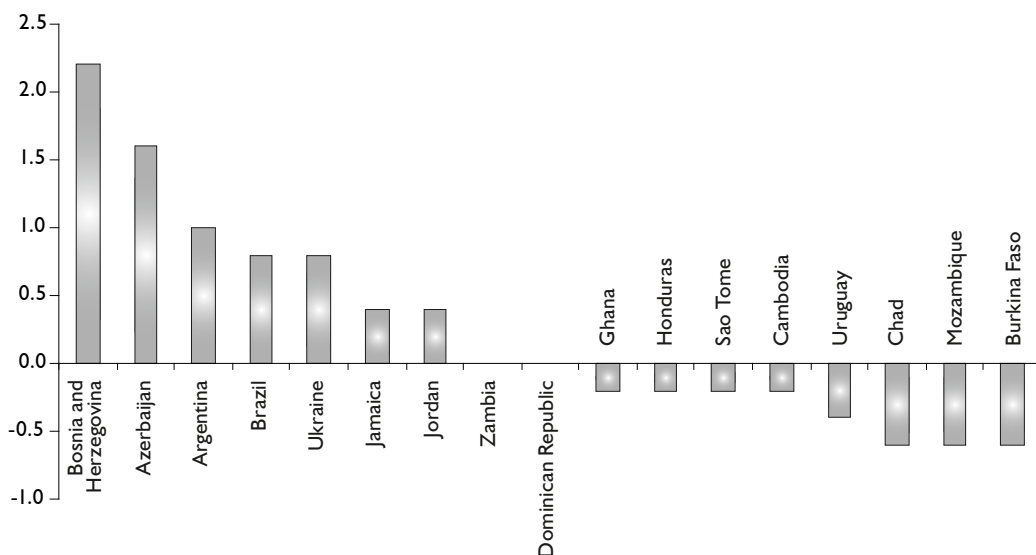


Figure 11. Changes in the CAS Performance Over Time (Baseline 2000/01)



there are a few countries which made a leap into incorporating environment into their CASs, like Bosnia and Herzegovina and Azerbaijan (with a

score of 1 and higher), eight countries show that their relative scores have dipped since 2000–01.

5 Conclusions

In summary, there appears to be a marginal improvement in the treatment of environment in CASs over the previous review. The more reassuring aspect is the large jump in the level and scope of environmental integration in CASs from 1999 to the current review of 2005. However, the large variation in scores highlights two separate groups—one where a strong commitment to environmental integration exists and the other group, which weakly incorporates environmental concerns. In this weaker group of low scoring countries, there is a large scope for improvement in CASs.

This year's review suggests a continuing trend in the implementation of environmental projects and programs. An increase in environmental programs and projects streamlined into policy and investment lending is likely to strengthen environmental integration in Bank operations.

Poverty and environment links remain the weakest aspect. This highlights a critical need for initiating a more concerted understanding of these linkages as well as creating drivers for incorporating environment into the design of poverty reduction strategies.

Another encouraging aspect is the increase in the number of good practice cases as illustrated by high scores of individual countries under the five different themes. These good practice cases provide lessons and serve as tools for strengthening future CASs.

Environmental performance of CASs across the regions is varied with LAC and EAP illustrating strong overall scores. AFR remains weak not only in the current review but across the time horizon of five years during which several African countries have moved into their next CAS cycle.

References

- Acharya A., E. Ijjasz-Vasquez, K. Hamilton, P. Buys, S. Dasgupta, C. Meisner, K. Pandey, and D. Wheeler. 2004. *How has Environment Mattered? An Analysis of World Bank Resource Allocation*, World Bank, Washington, D.C.
- Belle, A., and P. Shyamsundar. 2002. "Country Assistance Strategies and the Environment—Taking Stock." Environment Strategy Note no. 2. World Bank, Environment Department, Washington, D.C.
- Kishore, S., and P. Shyamsundar. 2005. "An Environmental Review of 2002–04 Country Assistance Strategies." Environment Department Paper no. 105. World Bank, Environment Department, Washington, D.C.
- Mani, M. 2006. "Implementation of Environment and Natural Aspects in Development Policy Lending: First Review." Working Paper. World Bank, Washington, D.C.
- Shyamsundar, P., and K. Hamilton. 2000. "An Environmental Review of 1999 Country Assistance Strategies—Best Practice And Lessons Learned." Environment Department Paper No. 74. World Bank, Environment Department, Washington, D.C.
- World Bank. 2001. *Making Sustainable Commitments—An Environment Strategy for the World Bank*. World Bank, Washington, D.C.
- . 2003. *Putting Our Commitments to Work—Environment Strategy Implementation Progress Report*. World Bank. Washington, D.C.

Appendix A —

Criteria for Ranking CASs

<i>Themes</i>	<i>Unsatisfactory</i>	<i>Marginal</i>	<i>Satisfactory</i>	<i>Best practice</i>
Issue identification	Little or general mention of issues	Identification; Mention of nature and scale of issues	Identification and discussion of nature, scale, scope, and prioritization	Discussion on driving forces
Treatment	No environmental project /component	One or more project(s) / component(s) but not directly addressing key issues	Projects and components, NLS etc., addressing key issues identified by stakeholders	Lending and non-lending instruments addressing issues; environment-related triggers; reasoning for selectiveness and role of client/other donors/development agencies
Mainstreaming (macro policies, incentives, cross sectoral)	Little or no awareness of mainstreaming issues	Awareness of linkages (two or more) to growth/macro policies, cross sectoral linkages and incentives	Discussion and analyses of linkages (all three, or in depth of two depending on country circumstances)	Discussion and analyses of linkages (all three) and some treatment of linkages
Poverty – environment linkages	No awareness	General awareness, little discussion	Discussion and analyses of poverty-environment linkages (communities affected, policy distortions, etc.)	Interventions in sectors affecting the poor directly such as health, agriculture/RD, forest management and conservation, water, energy
Environmental policies	No environment-related policy /institution etc	General Discussion on environmental regulations, institutions	Discussion and analysis of environmental policy and its effectiveness; High priority; some ESW/ indicators	Analysis of environmental policy and its effectiveness; efforts to mitigate key problems; Indicators; ESW; CDF-type intervention planning

Appendix B — Best Practice CASs

<i>Region</i>	<i>Identify issues</i>	<i>Treatment</i>	<i>Mainstreaming</i>	<i>Poverty-environment links</i>	<i>Environment policy</i>
AFR		Cape Verde (2005)			
MNA		Egypt (2005)			
ECA	Tajikistan (2005) Bosnia and Herzegovina (2004)	Bosnia and Herzegovina (2004) Serbia and Montenegro (2004) Croatia (2004) Moldova (2004) Kazakhstan (2004)	Kazakhstan (2004)		Croatia (2004)
SAR		India (2004)	India (2004)		India (2004)
EAP	Cambodia (2005) Lao PDR (2005) Philippines (2005) Timor Leste (2005)	Cambodia (2005) Lao PDR (2005)	Cambodia (2005)	Timor Leste (2005)	Cambodia (2005) Lao PDR (2005) Philippines (2005) Timor Leste (2005)
LAC	El Salvador (2005) Jamaica (2005)		Dominican Republic (2005)		El Salvador (2005)