

THE WORLD BANK GROUP ENVIRONMENT STRATEGY

CONCEPT NOTE

**ENVIRONMENT DEPARTMENT
SUSTAINABLE DEVELOPMENT NETWORK**

August 5, 2009

THE WORLD BANK GROUP ENVIRONMENT STRATEGY

CONCEPT NOTE

CONTENTS

A. Background and Rationale	1
B. Objectives and Audience	3
C. Preparing for the Strategy: A <i>two-track</i> approach to assess client priorities and cross-cutting issues.....	4
D. Internal Process, Methodology and Sources of Information	8
E. Process and Timeline	10
Annex 1: Greening the Bank's Facilities.....	11
Annex 2: List of Suggested Background Analytical Studies.....	12
Annex 3: Tentative Outline of Strategy	14

THE WORLD BANK GROUP ENVIRONMENT STRATEGY

CONCEPT NOTE

A. Background and Rationale

1. **The World Bank Group (WBG) is embarking on the preparation of a new Environment Strategy, expected to be completed by December 2010.** As a central mandate, the WBG has an enduring commitment to ensure that its support to client countries leads to sustainable outcomes, that is, development results that are economically, socially and environmentally sustainable. The new Environment Strategy will articulate a set of principles and propose an approach for achieving the environmental sustainability of the WBG's portfolio. This Concept Note frames the elements to be considered in developing the new Strategy.

2. The Strategy will build on *Making Sustainable Commitments: An Environment Strategy for the World Bank*, the Bank's first environmental strategy produced in 2001. That Strategy outlined how the World Bank would work with client countries to address their environmental challenges and to ensure that projects and programs integrated principles of environmental sustainability.

3. **In 2008, WBG support for environmental sustainability was judged to be broadly effective but with a need to increase its impact.**¹ In a 2008 evaluation of the Bank's environmental performance, the Independent Evaluation Group (IEG) noted that the WBG has made progress since 1990 as an advocate for the environment. However, it also identified external and internal constraints to the treatment of environmental issues in many WBG country programs. IEG recommended that to increase its effectiveness in environmental issues, the WBG should take on the following improvements: (i) provide greater attention to environmental sustainability in the WBG; (ii) move to more cross-sectoral and spatially-oriented approaches and strengthen staff skills; (iii) more effectively measure activities and results; and (iv) improve coordination and consistency among the World Bank, IFC and MIGA and between the WBG and its external partners. This stressed the desire for an updated WBG-wide Strategy, with IFC and MIGA as active partners with the Bank.

4. **We are at a critical moment globally, when environmental sustainability must be central to development.** The external landscape has changed considerably since 2001. The WBG has fully embraced the fact that climate change has a serious impact on development gains in client countries and is a potentially serious risk for industry, investors and financial institutions. In addition, urbanization is having a major impact in developing countries, with more than half the world's population now living in cities and 90% of urban growth taking place in developing countries. Progress on the Millennium Development Goal (MDGs) is seriously threatened, in part by a series of recent financial, food, and fuel crises, and in part by a failure to address underlying systemic institutional and governance failures. On the other hand, there is an increasing

¹ The World Bank (2008). Environmental Sustainability: An Evaluation of World Bank Group Support. Washington DC. Available at <http://go.worldbank.org/BD8MP7T5B0>

realization by various stakeholders of the importance of environmental and social sustainability and responsibility as the cornerstones of sustainable development. For example, environmental sustainability is often being adopted by non-government/private sector stakeholders, through voluntary and collective actions, ahead of regulation and an effective enabling environment, an indication that the principles of sustainability are getting traction more broadly. Environmental governance is therefore no longer the sole responsibility of the public sector nor only achieved through traditional regulatory means.

5. ***Climate change has become a critical driver of development constraints in many WBG client countries.*** As the specter of climate change grows, countries are beginning to direct resources to addressing existing impacts and preventing future impacts. Increased donor support for addressing climate change impacts has also heightened attention to climate change issues. In October 2008 the WBG adopted a Strategic Framework for Development and Climate Change (SFDCC) that now guides the Bank's work in supporting low carbon and climate resilient development. The upcoming World Development Report will focus on climate change. The Bank is also currently in the process of preparing a new Energy Strategy, in parallel with the Environment Strategy preparation process. This attention to climate change poses questions that need to be addressed in the Environment Strategy: how central should the focus on climate change be in the new Environment Strategy? Are there trade-offs between actions needed to address climate change and other local and regional environmental priorities? How can the WBG's Environment Strategy maximize the co-benefits with climate change? How should the WBG balance its role in helping countries address their country-specific environmental priorities and global public goods like climate change?

6. ***Urbanization has been another significant driver affecting the global landscape since the last Strategy.*** For the first time, more people live in cities than rural areas. This has resulted in increased pressures on environmental resources, but has also created opportunities to deliver services in a potentially environmentally sustainable manner to large numbers of people. The World Bank's Urban Sector Strategy, which is currently under formulation, is consistent with the pillars of the previous Environment Strategy, providing a focus on improving quality of life and quality of growth in cities. The importance of industrialization and the link with urban growth and rural-urban migration will be considered.

7. ***The Strategy will need to take a hard look at trade-offs between short-term development concerns and longer term environmental sustainability.*** There are multiple linkages between different MDGs and environmental sustainability. For example, half of malnutrition is due to poor sanitation and hygiene. The burden of disease due to environmental factors is 15 times higher in developing countries compared to developed countries. About 40 percent of this burden falls on children under the age of 5, who only account for 10 percent of the world's population. Climate change further complicates this picture. In the face of current global conditions, development has become a deeper struggle in many WBG client countries. Revised projections estimate that as a result of lower economic growth because of the crisis, in 2009, 53 million people would not be removed from living in extreme poverty and an additional 200,000 to 400,000 infants will die. The food crisis, resulting in high and volatile prices, is also closely linked with the long-term agenda embodied in the MDGs. More than 900 million people were hungry even before the current "crisis;" the number has now increased to 963 million. All of these development deficits have an

uncomfortable underlay in environmental shortfalls. Given that the demand for food will increase by 50%, for fresh water by 30% and the planet's population will reach 8.3 billion by 2030, lack of attention to environmental concerns poses risks to achieving the MDGs.

8. Public goods agendas are generally of lower priority for developing countries than local concerns such as poverty reduction, economic growth and infrastructure development. The 2008 Global Poll showed that environment did not feature among the top five challenges that developing countries thought that they faced; instead, poverty reduction, economic growth and infrastructure development were typically top challenges. This finding is in contrast to the response from industrialized countries where environment, followed by growth, was a headline challenge. This awareness is reflected in the approach that many businesses in industrialized countries are taking by building environmental sustainability as part of their triple bottom line, as well as the increasing volume of funds invested by environmentally and socially responsible investors. These funds, through supplier chains and subsidiaries in developing countries, are partly being spent in emerging markets. This points to the need to better link public goods agendas with local development needs and to leverage broad stakeholder support for environmental sustainability.

B. Objectives and Audience

9. The Concept Note frames the process to prepare the final Strategy. The Concept Note describes the substantive and process-related activities that the WBG will carry out to develop the Strategy and presents questions to help frame the key issues that the Strategy will address. The Strategy's final objectives will be informed by a combination of the results that emerge from consultations with external and internal stakeholders, findings of analytical work that will be undertaken to prepare the Strategy, and will be anchored to the business models of the WBG institutions.

- 10. The two objectives of the Strategy preparation process are to identify:**
- a. Key areas in which the WBG should engage to support its internal and external client base to more effectively address environmental priorities and move toward greater environmental sustainability;
 - b. Best approaches to pursue the environmental sustainability of the Bank Group's operations, through an improved results framework; knowledge and capacity building; partnership with governments, private sector, financial sector, development partners and civil society externally, and with sector and regional colleagues internally; and leveraging other stakeholders' support for environmentally sustainable development. This will include an expansion of the WBG's approach to greening its own facilities.

11. The Strategy is intended for both internal and external audiences. The final product will be implemented by World Bank Group staff and management and overseen by the World Bank Group's Board of Directors. It will be developed in consultation with developing country clients, development partners and foundations, civil society, private sector and industry representatives, and non-governmental organizations, as well as World Bank Group staff and management.

C. Preparing for the Strategy: A *two-track* approach to assess client priorities and cross-cutting issues

12. **The 2001 Strategy outlined a compelling conceptual framework for WB support for environment.** Aligning with the overall Bank mission to fight poverty, the Strategy highlighted poverty–environment linkages and drew attention to the vulnerability of the poor to environmental degradation and the relevance of environmental assets to economic growth. The Strategy’s three main objectives were: (i) improving the quality of life; (ii) improving the quality of growth; and (iii) protecting the quality of the regional and global commons.

13. **Going forward, development of the new Strategy will take a two-track approach.** A starting hypothesis for the new Strategy is that the strategic objectives of the 2001 Strategy remain valid today. With that in mind, the Strategy will be designed through a two-track approach. The first track seeks to assess external and internal client demand and to validate the hypothesis that the objectives of the previous strategy remain relevant as we look forward to the next 10 years, given new and anticipated challenges. This ground-up perspective from our clients and colleagues aims to identify key areas in which clients seek support from the WBG to improve their environmental sustainability and to clarify expectations for WBG support with respect to results in these areas. This approach recognizes that positive environmental outcomes and environmental sustainability have to be pursued and are achieved through a broad set of interventions across different sectors. The second track will analyze cross-cutting elements of the WBG’s performance in promoting environmental sustainability and identify WBG wide goals in these areas. Cutting across both tracks will be core questions related to roles, business models and operational framework needed for delivering more substantively on the emerging environmental sustainability agenda. This two-track approach will be mirrored in the consultation process for the Strategy and will be reflected in the results framework developed during Strategy formulation.

Track 1: Assessing External and Internal Client Demand in Defining Priorities for Environmental Sustainability

14. **This Track will seek to define the nature and extent of the WBG’s efforts to help external and internal clients move toward sustainability.** The work will examine environmental priorities of different stakeholders in regions, countries and sectors. It will be led by regional environment colleagues working with country teams and other SDN units. Regional teams will guide consultations with external stakeholders including governments, private sector, civil society and development partners; as well as internal colleagues in sectoral departments.

15. **The strategy will seek to address the following questions:**

- Is the continued focus on improving quality of life, quality of growth and protecting the regional and global commons still relevant?
- What are the opportunities and challenges to achieving environmentally sustainable development in each country, region, sector or industry? What are expectations of the role that the Bank Group could potentially play to support developing countries address these opportunities and challenges?

- What should be the balance in the Bank's role between addressing country specific priorities and global public goods agendas? How should the Strategy balance global concerns such as maintaining the quality of ecosystems with more local concerns such as support for poverty reduction, economic growth and infrastructure development that is environmentally sustainable?
- What are the key elements of an enabling environment that would help mobilize non-government stakeholders more substantively and allow the private sector to pursue and achieve higher levels of performance in their pursuit of environmental sustainability?
- Should the new Strategy put in place a systematic approach to measuring environmental sustainability in sector portfolios beyond safeguards compliance? Should this approach be focused initially on select sectors, such as urban, agriculture, infrastructure, to gain experience or applied across all sectors?
- How should the Strategy emphasize long-term environmental sustainability? How should potential trade-offs, if any, between short-term development and longer term development and environmental sustainability be handled?
- How should the Strategy balance support that the Bank Group can directly provide to clients through its activities for improving environmentally sustainable development with catalyzing and leveraging other stakeholders' support for this agenda?

Track 2: Assessing Cross-Cutting Priorities to Position the WBG for Improving Delivery of Environmental Results

16. **Track 2 will analyze cross-cutting elements of the WBG's performance** in promoting environmental sustainability and identify WBG wide goals in these areas. In particular, this Track will focus on several priority areas, as outlined below.

17. ***Moving beyond mainstreaming toward environmental sustainability.*** Achieving environmental sustainability is an ongoing process on which we intend to move forward during the timeframe of the Strategy. In the WBG, key milestones in that journey include the adoption of the Safeguards, in the late 1980s, as the Bank's policy instruments for implementing the precautionary or 'do no harm' principle in Bank-funded activities. Subsequently in 2001, the Bank's first environment strategy emphasized mainstreaming or incorporation of environmental considerations in the activities of sectors. The new Strategy intends to move further along the spectrum, beyond safeguards and mainstreaming, to improving the environmental sustainability of the WBG's overall portfolio. Building on areas where effective mainstreaming was achieved, the proposed Strategy will include targets for achieving environmental sustainability of the operational portfolio, to be achieved over the 10-year implementation period of the Strategy. This will require (i) a results framework; (ii) knowledge and capacity building, both internally and externally including to foster ownership of environmental sustainability in all sectors; (iii) close partnership with regional and sector colleagues, including linkages with relevant sector strategies such as climate change and energy; and (iv) leveraging external stakeholders support for sustainable development. Results indicators for sustainability outcomes will be agreed with the regions and sectors. The experience from implementing IFC's Policy and Performance Standards on Social and Environmental Sustainability offers potential lessons for the Bank in moving forward, as

will the experience from the integration of infrastructure units with environmental, social and rural development units into a Sustainable Development Network in June 2006.

18. **Acknowledging client differentiation.** In assessing the portfolio, the strategy will lay out an environmental sustainability framework for the WBG that is based on country demand and ownership, and recognizes differences in priorities of different countries and regions based on multiple criteria including GDP per capita (MIC, LIC); social context (e.g. conflict or post-conflict); regional context (e.g. EU Accession); natural resource base (e.g. forest-rich, oil-rich economies); and level of industrialization. For example, a low-income country with large populations that depend heavily on natural resources for livelihoods or with high rates of environment-related child morbidity and mortality may have a low carbon footprint and may have different priorities than a highly urbanized or industrialized developing country.

19. **The role of environmental institutions and governance.** The Strategy will address how the Bank Group can help to strengthen underlying environmental institutions and governance mechanisms in developing countries that are crucial for sustainable development. It will focus on both formal rules such as policies, laws, regulations and industry standards and their implementation; as well as informal rules, e.g. cultures and behaviors. Achieving environmental sustainability depends on how effectively governments, private sector and civil society can assess inter-temporal trade-offs, evaluate environmental costs and benefits, including distributional implications, and incorporate these analyses into decision-making frameworks. Mechanisms for engaging weak and vulnerable stakeholders in decision-making, ensuring access to information and accountability among different stakeholders, effective enforcement, conflict resolution mechanisms and recourse to justice will be examined. The Bank Group has supported public sector, private sector and civil society in developing countries to analyze and build capacity for environmental governance through a range of lending and non-lending instruments. The Strategy would analyze this experience, as well as the experience of other multi-stakeholder initiatives and processes, to understand how the WBG can be a more effective partner in supporting clients to strengthen their environmental governance processes, recognizing that countries are at different initial starting points in terms of institutions and systems. One of the specific areas on which the strategy will focus will be on how governments, industry, financial institutions and civil society can work more synergistically to manage pollution and promote smart growth and competitiveness.

20. **Operational policies, Safeguards, Performance Standards, and country systems.** Safeguards are the Bank's key policy instruments for implementing the precautionary or "do no harm" principle in Bank-funded activities. The application of Bank safeguards is currently under review by IEG and will be completed by December of 2009. The Strategy will draw on the lessons from that review. The discussion of safeguards offers opportunity for exchange and learning from steps taken by the IFC and MIGA on the pathway to sustainability. In April 2006, IFC established its Policy and Performance Standards on Social and Environmental Sustainability, which were adapted and adopted by MIGA in October 2007. The IFC is currently reviewing experience with the implementation of its performance standards and results from this review will be reflected in the Strategy. The Paris Declaration on Aid Effectiveness (March 2005) committed the Bank and other development agencies to increase efforts in harmonization, alignment and managing aid for results. Part of this agenda entails a commitment to move toward reliance on "country systems" -- country policies and

procedures. Pilot programs to build capability for using country environmental management systems have been initiated in a few countries. The Strategy will assess progress with these efforts and plans for moving ahead. It will also look at managing environmental risks in non-lending.

21. ***Strengthening innovative finance approaches and partnerships.*** How can the Bank more strategically approach innovative finance for environment and help bring it into the mainstream of development practice? The Bank has been a leader on many fronts in tapping resources for environment and sustainable development work but there is potential to further deepen this work. For example, the Bank has been a pioneer in carbon transactions, supporting developing countries to participate in the market for carbon offsets in the CDM and JI processes, and has recently launched Climate Investment Funds. The carbon funds have grown from \$180 million to more than \$2.2 billion. As the climate negotiations move into the critical phase of determining policies and market structures beyond 2012, it will be necessary to take forward the lessons learned from the first generation of activities with carbon funds and the CIFs. The lessons from WBG lending and advisory services for energy efficiency and renewable energy may be relevant for further developing and mainstreaming the environmental finance agenda. The Bank's Treasury and Environment department have made significant progress in raising financing through active engagement with the Sustainable Investor community and the issuance of bonds linked with the Bank's climate change activities. The first bond linked to the Bank's climate change activities, a "Green Bond," was offered recently in the international markets. The Strategy will explore the Bank's potential role in supporting innovative financing approaches for environment and how these could be used to support environmentally sustainable development in developing countries. Strengthening collaboration between the WBG and other donors, including ensuring synergies and minimizing overlaps between the different sources of funds available, will be reviewed. In that regard, we will work closely with development partners, such as the GEF and multilateral and bilateral donors, as strategy preparation progresses.

22. ***Mobilizing the WBG's knowledge assets to develop capability for environmental sustainability.*** Preliminary feedback from implementation of the 2001 Strategy suggests the potential for a stronger role for the WBG in the area of knowledge sharing and capacity building. The WBG produces a large volume of analytical and policy work that is not always well disseminated. The IFC has a large program of technical assistance that can contribute to capacity development for environmentally sustainable management practices. The Strategy will assess methods to strengthen the impact of WBG AAA on client country environmental institutions, as well as explore knowledge products and knowledge platforms and services to promote environmental sustainability among public, private and civil society actors in client countries. Because environment is a cross-cutting theme as well as a productive sector, knowledge platforms can enhance the effectiveness of environmental interventions across a range of sectors. For example, building a better knowledge base and providing guidance to help staff to assess the environmental impacts of alternative investment choices (e.g. hydropower vs. coal power), short and longer term considerations, and local and global impacts will be important. IFC has made great strides through the Equator Principles by reaching out to financial institutions to have a common platform for supporting sustainable investments. Learning from this experience, the Strategy will explore how financial institutions in developing countries can be included in this type of knowledge sharing to promote environmental sustainability in their operations. This work will be

consistent with the Bank Group's broader knowledge agenda to embrace global excellence in knowledge development.

23. Background papers will include analysis of the Bank's performance in implementing the 2001 environment strategy and lessons learned; how to improve monitoring of approaches toward greater environmental sustainability, beyond the minimum threshold of the safeguard policies, in different sector portfolios; studying the factors that have contributed to a declining portfolio in recent years for biodiversity and other issues related to natural resources management, such as land degradation and international waters, and assessing whether new approaches are needed to reverse this decline; and multi-stakeholder approaches to smart growth and pollution management that maximize the synergies between WBG institutions; among other topics.

D. Internal Process, Methodology and Sources of Information

24. ***Preparation of the new Strategy is being conducted jointly by the Bank, IFC and MIGA.*** Track 1 will be led by the regions and IFC and MIGA, with support from the Environment Anchor (ENV). The Anchor will lead Track 2. IFC and MIGA will lead the consultations and articulation of the Strategy with private sector clients.

25. ***Bank, IFC and MIGA staff and management are collaborating on the Strategy preparation.*** With respect to process, the Bank's Environment Department (ENV) is taking the lead on Strategy preparation, with the active participation of IFC, MIGA and regional colleagues. On substantive aspects, all institutions are in the process of identifying areas where there is alignment of topics that can be developed further during the Strategy preparation process. It has been agreed that the Strategy process needs to be anchored closely to the business model and client base of the respective institutions. In that respect, since these vary across the WBG institutions, the level of engagement and contribution on each of the sections and topics covered in the strategy by each WBG institutions may vary.

26. ***Analytical Work. The preparation of the Strategy will be underpinned by a series of analytical background papers.*** A list of proposed analytical studies that have emerged from the feedback received during internal consultations and review of the Concept Note is included in *Annex 2*. Currently ENV is applying to funding sources to support the proposed analytical work as well as consultations with external stakeholders.

27. ***Results Framework. The strategy preparation process will develop a Results Framework with results indicators in several stages.*** First, a results framework will be developed for each of the priority areas, identified during the course of Track 1 consultation, on which the Strategy would make progress over the 10 year period. For each of these areas, core environmental indicators will be identified that could be measured and aggregated at a project level, so that progress on the ground can be readily measured. These indicators, consistent with the broader Results Agenda in the Bank, will most likely be a combination of:

- Sectoral level indicators which reflect a shift towards an environmentally sustainable approach in that sector. The strategy team will work with regional and anchor SDN teams to identify specific indicators for key sectors such as energy, urban, agriculture, forestry, etc. These indicators

will reflect one or more visionary goals for the strategy period, e.g. promoting the use of soil conservation techniques such as low till/no till in agriculture.

- For core environmental areas, such as pollution management and biodiversity, indicators will be defined for revitalizing WBG support for work in these areas.
- In the area of environmental management, indicators will be defined relating to institutional capacity development. This could include targets for capacity development for country systems, if this seems promising.

In addition there will be intermediate input indicators that measure progress with respect to internal mechanisms and knowledge management practices that facilitate the WBG to achieve strategy objectives. An example of such indicators could be creation of a system to better track projects' environmental performance during supervision and project completion.

28. Consultations. Multi-stakeholder consultations will be undertaken in a transparent and inclusive manner to build consensus on and ensure quality of the new Environment Strategy. An optimal and efficient consultation plan to ensure regional and sectoral representation of multiple stakeholders' views is being prepared, with the following elements:

- The consultation process will involve a combination of web-based, multilingual platform, face-to-face and videoconference sessions and feedback mechanisms, to reach a critical mass of a range of relevant stakeholders.
- For the consultation events, the regions themselves, IFC, MIGA and other key partners will guide the identification of stakeholders, the planning and scheduling of consultation events, and reporting back. The Environment anchor will lead the overall process, design and manage the web platform, and provide logistical support to the regions. Relevant stakeholders to be reached will include developing and developed country governments, civil society, NGOs, indigenous peoples, academia, think tanks, private sector, UN Agencies, development institutions and youth. IFC and MIGA will lead consultations with private sector clients. Analytical work will also be undertaken in a consultative manner, and be integrated into the web platform.
- The consultation process will begin with discussions on the Concept Note. Efforts will be made to undertake the consultations in as "green" and cost-effective a manner as possible. Robust, uniform and timely reporting of feedback will be central to achieving a credible and engaging process. Ongoing fundraising will determine the ultimate mix of outreach methods.
- Internal consultations within the World Bank Group are ongoing and feedback received is posted on an intranet consultations site which serves as a staff forum for engaging in the consultations in a meaningful and structured way, and will link internal discussions to external consultations activities and feedback.

29. **Advisory Committees.** An internal committee comprising WBG staff and an external committee made up of non-WBG staff will be set up to oversee and provide guidance on the preparation of the new strategy. The Advisory Committees will play an important role in providing guidance and feedback during the Strategy preparation process, as well as on the intermediate outputs, including underlying analytical work.

30. **Sources of Information.** The preparation of the Concept Note will take into account completed and ongoing pieces of work. These include: (i) the 2001 World Bank Environment Strategy; (ii) 2008 IEG evaluation of WBG support for environmental sustainability; (iii) IEG evaluation of Safeguards (Concept Note under preparation); (iv) Strategic Framework for Climate Change and Development for The World Bank Group; and (v) relevant World Development Reports, including 2009 on Reshaping Economic Geography and 2010 on Climate Change; (vi) IFC's 18 month and 3 year performance standards reviews; (vii) other sector strategies underway, particularly energy, urban and water; (viii) internal and external reports related to the forestry strategy; (ix) the update of the 2004 Water Resources Sector Strategy; (x) the World Bank Group Sustainable Infrastructure Action Plan; (xi) the Innovative Development Finance paper being completed by CFP; (xii) Global Monitoring Report 2008 and (xiii) the OPCS/ENV Development Policy Lending Retrospective.

E. Process and Timeline

The Environment Consultations are scheduled to be launched in mid September of 2009. The first full draft will be ready in spring of 2010 in order to receive feedback on it before it is presented to the World Bank Board of Directors for approval at the end of 2010.

31. **Staff.** The Bank (regions, sectors, WBI, Legal Department and Development Research Group), IFC and MIGA are in the process of nominating Focal Points for matters relating to preparation of the Strategy. In addition, teams will be formed to work on specific topics, as applicable. Multiple background papers will be led by other departments in close collaboration with the Environment Department. The consultations will be led by regions; and IFC and MIGA will lead consultations with private sector clients.

Annex 1: Greening the Bank's Facilities

There has been much progress in recent years, in greening the Bank's facilities, following the publication of the Bank's first sustainability report in 2004. A major milestone was the achievement of carbon neutral status for the headquarters building complex in 2006, through the purchase of wind power and verified emission reductions. Since 2007, the greenhouse gas inventory and green building initiatives have been expanded to country offices. Challenges still remain, however, to ensure that we minimize our environmental and greenhouse gas emission footprint and the Strategy will propose an action plan to move this agenda forward, including expanding the greening agenda more systematically in field offices.

Annex 2: List of Suggested Background Analytical Studies

- 1. Rebalancing the environment agenda: climate change and core environmental challenges**
- 2. Assessment of World Bank Group Performance in Implementing the 2001 Environment Strategy**
 - Portfolio Review
 - Results Framework
 - Assess organizational structure, staffing, skills, incentives and constraints in the ENV family
 - Assess organizational, knowledge and financial systems
 - Results from SDN integration
 - Role in knowledge development and transfer – internal and external
- 3. Mainstreaming**
 - Effectiveness of and lessons learned from mainstreaming
 - Determination of how to improve the monitoring of environmental mainstreaming results and the ultimate outcomes of improved livelihoods and environmental health.
 - Analysis of the financial sector and its role in supporting the mainstreaming of the sustainability agenda
- 4. Operational Policies, Safeguards and Country Systems**
 - Assessment of performance of WB Safeguards
 - Assessment of progress towards Country Systems approach
 - Relevance of Equator Principles to the public sector
- 5. Pollution Management**
 - Status and impacts of WB support to pollution prevention and management
 - Multi-stakeholder approach to pollution management in developing countries
- 6. Biodiversity and Natural Resources Management**
 - Review of WBG support for biodiversity
 - Ecosystem based adaptation and Payments for ecosystem services – status and potential
- 7. Environmental Governance and Institutions**
 - Access rights, inter- and intra-sectoral collaboration and public participation in environmental decision-making

- Outcome/experiences with Strategic Environmental Assessment and Country Environmental Analyses as instruments for assessing environmental institutions and governance
- Analysis of lending and technical assistance experience targeted at strengthening institutional capacity
- Environmental Information and transparency initiatives
- Assess CPIA as a tool for rating country performance

Annex 3: Tentative Outline of Strategy

1. Background and Introduction
2. External and Internal Context for new Strategy
3. Objectives and Guiding Principles of Strategy
4. Lessons Learned from Previous Environment Strategy, and Implementation of IFC Sustainability Policy and Performance Standards
5. Assessing Client Priorities
6. Cross-cutting Issues
7. Implementing the WBG Environment Strategy
8. Results Framework
9. Annexes