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## **WORLD BANK SUPPORTED ENVIRONMENT INSTITUTION BUILDING INVESTMENTS**

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### **SUMMARY**

A main focus of Bank lending for the environment is to strengthen public sector institutions responsible for environmental protection and management at the national and subnational levels. As of July 1995, twenty such projects, involving commitments of nearly \$670 million and total project investments of close to \$1.2 billion, were under implementation. All of these projects have been approved since fiscal 1990 and almost two-thirds in the three years since UNCED (see Table 1 for projects approved since Rio). Many of these projects support implementation of National Environmental Action Plans. While some of these operations include sizable investment components, all of them include significant technical assistance, training, and studies components.

### **1 NEW ENVIRONMENTAL INSTITUTIONS PROJECTS**

Four new environmental institutions projects were approved in fiscal 1995 involving Bank financing of \$135 million for a total investment of more than \$220 million. Of these, three are comparatively small technical assistance operations, while the fourth is much larger, combining investment and institutional development components in the Russian Federation. The Benin, Honduras, and Trinidad and Tobago operations are described below; the work initiated in the Russian Federation is discussed in Figure 1. In addition, the Institutional Development Fund (IDF) is providing increasing support for activities with an environmental or social focus, as illustrated in Figure 2.

#### **1.1 The Benin Environmental Management Project**

The Benin Environmental Project will support the development of environmental management capacity at the national level and help the government of Benin to implement the National Environmental Action Plan adopted in June 1993. It will pursue capacity building and institutional support, including streamlining and strengthening national environmental responsibilities, reinforcing policy implementation and coordination mechanisms, promoting better preparation and enforcement of the environmental regulatory framework, developing an effective environmental regulatory framework, developing an effective environmental information system, and enhancing environmental monitoring and evaluation capability. The project will also promote public awareness of environmental issues and the integration of environmental considerations in the education system.

### **Strengthening Environmental Management in the Russian Federation**

Like many other countries in transition to market economies, the Russian Federation has inherited a costly environmental legacy from decades of growth that neglected to take environmental factors into account in national investment decision making. As elsewhere, moreover, the environmental management system is fragmented and uncoordinated, with many government agencies sharing some responsibility for environmental concerns. Because the capital requirements for resolving environmental problems in the country are high, priorities must be set and interventions selected to address these priorities in a cost-effective manner. Among the institutional and financial problems that need to be tackled are the unreliability of much existing environmental data, ineffective laws and regulations for environmental protection, poorly defined management and organization responsibilities, inadequate budget allocations, a breakdown of the traditional command and control system for pollution abatement and nature protection, inappropriate criteria for emission standards, and the lack of sufficient medium-term investment funds.

To support efforts to address these issues, a loan of \$110 million was approved this year by the Bank for the Environmental Management Project to support, among other things, environmental management and institutional strengthening at the federal level and in the North Caucasus, Upper Volga, and Urals regions. More specifically, the project will assist the Russian Federation in establishing an Environmental Framework Program, estimated to cost a total of \$282 million over four to five years whose objectives are to:

- incorporate environmental and natural resource management concerns directly into the economic, social and political adjustment process at the federal and regional levels of government;
- strengthen and streamline government institutions for environmental and natural resource management;
- improve the formulation and implementation of environmental and natural resource management systems;
- strengthen financial delivery mechanisms to address priority environmental management investment needs through the setting up and initial capitalization of a National Pollution Abatement Facility; and
- facilitate the flow of donor and multilateral resources to the environmental protection sector.

1.2 The Honduras Environmental Development Project has three principal sets of objectives:

- to strengthen government capacity for environmental planning, policy, and regulation, interagency and intersectorial coordination, and monitoring and enforcement of environmental laws and regulation;
- to assist the Ministry of the Environment in implementing national and participatory system of EAs and in developing methodologies for their preparation, processing, and review; and
- to develop environmental management capacity at the municipal level, with greater grassroots participation, and increase financial support for pilot environmental projects at the municipal and community levels as well as for small and microenterprises using the Honduran Social Investment Fund.

### **Using the Institutional Development Fund to Improve Environmental Management**

The Institutional Development Fund is a grant facility for financing technical assistance for institutional development not directly linked to planned Bank Group lending operations. The Institutional Development Fund enables a quick response for funding small, action-oriented initiatives identified during the Bank's economic and sector work and policy dialogue. The Institutional Development Fund came into operation in 1992, and in the first two years committed nearly \$27 million in grants to 101 projects, funding a wide variety of recipients and critical institution-building activities that otherwise might not have been funded.

The Institutional Development Fund's focus is broad, but a number of its grants have social and environmental objectives at their core. For instance, a \$190,000 Institutional Development Fund grant was approved to strengthen organizational management in agriculture and natural resources in Malawi; a \$100,000 grant was awarded to build capacity for environmental management in Sao Tome and Principe; \$190,000 was granted for formulating environmental policy and strengthening environmental capacity in the Lao People's Democratic Republic; and \$430,000 was awarded for a local environmental management program in the Donetsk Oblast, Ukraine, which includes an air quality management program and a public awareness component as a first step in Ukraine's budding environmental program. Other grants awarded by the Institutional Development Fund since 1992 have been used to carry out innovative institution-strengthening programs for indigenous peoples in Bolivia, Chile, and Guatemala; to manage national cultural property in Albania; and to provide assistance to China's Ministry of Water Resources and India's Ministry of Forestry and Environment.

**Figure 2. Using the Institutional Development Fund to Improve Environmental Management**

### 1.3 The Trinidad and Tobago Environmental Management Project

The Trinidad and Tobago will also work to establish the necessary institutional arrangements for environmental regulation and management, along with a priority environmental work program based on a National Environmental Action Plan to be formulated under the project. It will include a public awareness program and an environmental training program for the public and private sectors. It will also support the activities of the Environmental Management Agency. During project preparation, the government fostered a major participatory effort to draft legislation for the agency, which was opened up for public review and substantially revised on the basis of comments received before the legislations was introduced into parliament.

In addition to the operations approved in fiscal 1995, the Urban Environmental Management Project in Colombia, currently under preparation, should be noted because of its highly innovative nature. This proposed technical assistance operation capitalizes on the government decentralization currently taking place in Colombia to build institutional structures for managing environmental problems in four major urban centers: Barranquilla, Bogota, Cali,

and Medellin. This will be the first Bank project to focus exclusively on environmental institution building at the urban and municipal level. In each of these municipalities, new environmental institutions have been established to address a broad range of urban environmental issues, including water supply and sewerage, water pollution, air pollution, and waste management. The proposed project will support these institutions by focusing on environmental planning, organization structures, regulatory strengthening, and the provision of training and equipment for the participating cities.

Environmental institution-building projects often face particularly complex implementation challenges due to the cross-sectorial and cross-jurisdictional nature of many environmental problems, the likelihood that many environmental agencies are new or weak, and the critical importance of strong political support for achieving environmental improvement goals. Among such operations, which have been under implementation for several years, important lessons can be learned from the Environmental Management Project in Poland, approved in 1990, which is nearing completion and is one of the most successful environmental institution-building projects to date. Much of this success is due to solid preparation work, which included setting clear priorities and effectively collaborating between Polish and Bank specialists, together with firm government commitment to the project's objectives. Strong local technical and institutional capacity and the continuity of key project personnel on both the borrower and the Bank side have also been important factors, as has been the pragmatic approach taken to project design, which has included consideration of procurement arrangements from the earliest stages of preparation. From the very beginning, moreover, several large but heavily polluted municipalities (Katowice and Krakow among others) have been formally involved in project activities, together with the central environmental agency, reflecting the project's serious commitment to decentralization. Flexibility during implementation has likewise been a significant element in the project's highly satisfactory performance.

**Table 1. Projects for Environmental Institutions, Fiscal 1993-1995**  
(millions of dollars)

<i>Fiscal year and country</i>	<i>Project Name</i>	<i>Loan/Credit (L/C)</i>	<i>World Bank Financing</i>	<i>Total Project Cost</i>
<b>1993</b>				
Bolivia	Environmental Technical Assistance Project	C	5	5
Chile	Environment Institutions Development Project	L	12	33
China	Environment Technical Assistance Project	C	50	70
Ghana	Environment Resource Management Project	C	18	36
Korea, Rep. of	Environmental Research and Education Project	L	60	97
TOTAL			<b>145</b>	<b>241</b>
<b>1994</b>				
Gambia	Capacity Building for Environmental Management - Technical Assistance	C	3	5
Korea, Rep. of	Environmental Technology Development project	L	90	156
Morocco	Environmental Management Project	L	6	11
TOTAL			<b>99</b>	<b>172</b>
<b>1995</b>				
Benin	Environmental Management Project	C	8	9
Honduras	Environmental Development Project	C	11	13
Russian Federation	Environmental Management Project	L	110	195
Trinidad and Tobago	Environmental Management Project	L	6	11
TOTAL			<b>135</b>	<b>228</b>
Total since UNWED, fiscal 1993-1995			379	641
Active projects approved before fiscal 1993			289	536
Total Active Portfolio			668	1,177