

Talking Points for Shigeo Katsu¹
Thursday October 11th
3:00-4:30 PM Roundtable

*"Environmental policy and International competitiveness:
can we afford a better environment?"*

- Mr. Chairman - - Honorable Ministers - - fellow panelists -- ladies and gentlemen....
- First let me say it is a pleasure for me to be here at this Conference, following in the footsteps of Vice Presidents and senior officials of the World Bank who have been a part of the Environment for Europe process since it began.
- The question posed to this roundtable is extremely relevant for all of us in the development community. We know from working with you that environmental ministries must make strong arguments for the relevance of their programs from different perspectives, including economics.
- These arguments are made easier of course if there are legislative demands; whether from Parliament or from strong external forces such as the push for accession to the European Union.
- Nevertheless, your Ministries of Finance must make hard choices among competing priorities - - environment, health, education and others.

¹ The present document is a scanned copy of a statement received on 11 October 2007 during the Sixth Ministerial Conference "Environment for Europe" (Belgrade, 10-12 October 2007). The document has not been formally processed by the UNECE.

- The World Bank routinely assesses affordability of proposed investments to meet our own internal standards and need to consider fiscal space of borrowing countries.
- Our experience both in the region and globally supports the key arguments of the Category I paper submitted for this session. Better environmental performance in the industrial, agricultural, forestry and other sectors can be accomplished without a detrimental impact on competitiveness.
- A cleaner environment can, furthermore, serve as the driver for new export opportunities and expanded tourism.
- The World Bank prepared two Category II reports for this Conference which highlights recent experience in 5 key economic sectors in the region that pose significant risks to the environment ...yet also provide opportunities to reduce impacts and strengthen the sectors through mainstreaming of environmental considerations.
- At our information booth you will find many additional reports prepared as background to the Conference, covering themes such as (i) better indicators to track progress toward development goals, (ii) the key role of good governance, and (iii) lessons-learned for governments as they adjust to EU environment laws.

Let me touch on a few examples highlighted in the two reports on sector integration

- The energy sector is a major component in our portfolio and one which is particularly appropriate for environmental mainstreaming.
- While the Bank finances energy generation projects, much of our assistance focuses on improving energy efficiencies and distribution networks; places where there are huge gains to be made in an environmentally positive manner.
- At the same time we are working together to reduce the energy-intensity of ECA country economies and resulting CO₂ emissions through, for example:
 - dedicated funds and other mechanisms to catalyze private sector investment in energy efficiency and hydropower;
 - our stewardship of several Carbon Funds, which finance carbon emissions reduction projects and
 - expanding attention to "green" these interventions by using Carbon Fund revenues for environmentally friendly investments.
- Agriculture and forestry are important for economic growth and poverty reduction in ECA, contributing about 15% to GDP and

supporting 35% of the population. Rural populations also account for 65% of the poor in the region.

- This situation creates demands on agriculture and forestry to generate higher growth and income for rural residents.
- The Bank has a large and varied portfolio in these sectors to help address these issues and promote environmentally sustainable practices as well as adaptation to climate change. Some examples discussed include projects supporting irrigation and drainage rehabilitation, soil conservation, promotion of Integrated Crop Management, community-based sustainable land, and expanding rural tourism.
- One widely publicized success is in Kazakhstan, where the *Syr Darya and Northern Aral Sea Project* is helping to restore the Northern Aral Sea and improve environmental conditions in the Syr Darya delta. The sea is already showing improvement: water flow into the delta has increased, several freshwater fish species have returned, and fish harvests are increasing.
- As you are well aware, the European Union is playing an important role in mainstreaming environment in the agriculture and forestry sectors in new member states and candidate countries through its various investment funds and standards for EU accession and market access. A number of WB projects have assisted countries to meet these EU agro-environmental standards.

- The Bank also supports the International Forest Law and Governance process through which governments make concrete commitments to reduce illegal logging. We are working with our partners in Russia, Albania, Bosnia and Herzegovina, Romania, and Georgia on action plans to address this important matter.

In conclusion:

- The World Bank has learned valuable lessons from our work on environmental integration and, combined with our global experience and financial resources can help our partners address future environmental challenges - such as addressing the legacies of past pollution, and adapting to the impacts of climate change.
- I look forward to your thoughts and thank you for your attention.