

ROYAL MINISTRY OF FOREIGN AFFAIRS  
NORWAY

# Evaluation Report 5.95



**Integration of  
Environmental Concerns  
into Norwegian Bilateral  
Development Assistance:  
Policies and Performance**

*An Evaluation by the Fridtjof Nansen Institute (FNI)  
and ECON Centre for Economic Analysis*



---

A report submitted to the Royal Ministry of Foreign Affairs by the  
Fridtjof Nansen Institute (FNI) and ECON Centre for Economic Analysis.

The Ministry does not accept any responsibility for the information  
in this report nor the views expressed, which are solely  
those of FNI/ECON.

Integration of Environmental Concerns  
into Norwegian Bilateral Development  
Assistance:

Policies and Performance

An evaluation by the Fridtjof Nansen Institute (FNI) and  
ECON Centre for Economic Analysis

FNI/ECON, September 1995





## Preface

This report assesses the environmental performance of Norwegian bilateral development assistance. It was commissioned by the Research and Evaluation Section of the Programme Department in the Norwegian Ministry of Foreign Affairs. The terms of reference were developed by the same section in the autumn of 1994, in consultation with NORAD.

The evaluation team started its work in December 1994, with a final deadline of 30 September 1995. The team has consisted of researchers from the Fridtjof Nansen Institute (FNI) and ECON, Centre for Economic Analysis. *Kjell Roland*, ECON, and *Leiv Lunde*, FNI, are project managers, while *Torunn Laugen*, FNI, and *Jon Magne Skjelvik*, ECON, have worked extensively on the project since its inception. *Stein R. Moe*, NORAGRIC, Ås, has provided valuable scholarly advice throughout the process. Important contributions have also been made by *Henrik Harboe*, ECON, and *Regine Andersen*, FNI. *Olav Kjørven*, currently with the Environment Department in the World Bank, has also participated actively in the evaluation process, and written a section on the environmental assessment experience of the World Bank - with a special view to lessons relevant to Norwegian bilateral aid. This follows as a separate annex to the report (annex 1). *Steinar Andresen*, FNI, has provided valuable comments on an earlier draft document.

Main parts of the evaluation work have consisted of interviews with present and former Norwegian aid and environment officials, as well as a survey of documents in the archives of NORAD and the Ministry of Foreign Affairs (MFA). Representatives of the team have been met with an open and receptive attitude, and cooperation with those subject to evaluation has been excellent. This also holds for the country visits to Sri Lanka and Tanzania, where the team was very well received and assisted by NORAD officials in efforts to understand the environmental dimension of aid in Norway's programme countries.

FNI/ECON, September 1995.



## List of abbreviations and acronyms

AD	Appropriation Documents
BILAT	Department for Bilateral Development Cooperation
C&PR	Division for Culture and Public Relations
DN	The Directorate for Management of Nature
EA	Environmental Assessments
EAP	Environmental Action Plans
EIA	Environmental Impact Analysis
ES	Division for Energy and Maritime Transport
FAG	Technical Department
GEF	Global Environmental Facility
HEE	Division for Health
I&N	Industrial Development Department
IFRA	Division for Infrastructure
IUCN	International Union for Conservation of Nature
KVIM	Women's and Environmental Affairs Office
MDC	Ministry for Development Cooperation (1984-89)
ME	Ministry of Environment
MFA	Ministry of Foreign Affairs
MULTI	Department for Multilateral Development Cooperation
NATR	Division for Nature and Resource Management
NEAP	National Environmental Action Plan
NORAD	Norwegian Agency for Development Cooperation
NVE	Norwegian Water Resource and Energy Administration
OD	Operational Directive
OECD/DAC	Organisation for Economic Cooperation and Development/Development Assistance Committee
PFK	NGO's, Volunteers, and Cultural Affairs Department
PRIV	Department for Private Organisations
PROG	Department for Development Cooperation Programs
REG	Regional Departments
REP	Resident Representatives
RO	Unit for Quality Control
SFT	The State Pollution Control Authority
TOR	Terms of Reference
UNCED	United Nation Conference on Environment and Development
UNDP	United Nation Development Programme
UTD	Division for Education and Institutional Development
WB	World Bank



## TABLE OF CONTENTS

1. EXECUTIVE SUMMARY .....	1
2. INTRODUCTION .....	9
2.1. Rationale and mandate for the evaluation .....	9
2.2. Interpretation of the terms of reference (TOR) .....	10
2.3. Terminology, concepts, definitions .....	13
2.4. Outline of the report .....	15
3. ENVIRONMENTAL GOALS AND STRATEGIES IN NORWEGIAN BILATERAL AID .....	17
3.1. Main environmental challenges to Norway's programme countries .....	17
3.1.1. Poverty and the environment - causes of environmental degradation in programme countries .....	20
3.1.2. Economic growth and environmental concerns - what are the trade-offs? .....	22
3.2. Goals and strategies for integrating environmental concerns into Norwegian development policy .....	24
3.2.1. General goals for Norwegian development assistance. ....	24
3.2.2. Environmental goals, priorities and measures .....	25
3.3. Assessment of environmental goals in Norwegian development assistance ..	28
3.3.1. Development policy as arena for a growing number of concerns ....	28
3.3.2. The environment versus economic development .....	29
3.3.3. The challenge of recipient responsibility .....	31
3.3.4. The environment as one in a (too) wide range of goals .....	33
3.3.5. Implications for development assistance .....	34
4. ADMINISTRATION AND MANAGEMENT OF THE ENVIRONMENT IN DEVELOPMENT ASSISTANCE .....	37
4.1. Organisation of Norway's Ministry of Foreign Affairs (MFA) .....	37
4.2. MFA's operationalisation of environmental goals in development assistance	40
4.2.1. Policy guidelines .....	40
4.2.2. Environmental strategies .....	40
4.2.3. Environmental policy in country studies and strategies .....	42
4.2.4. The annual budget letter .....	44
4.3. Relations between the ministerial level and NORAD .....	45
4.3.1. MFA and NORAD .....	45
4.3.2. MFA/NORAD and the Ministry of the Environment .....	46
4.4. NORAD's organisational structure .....	48
4.4.1. Former structure .....	48
4.4.2. New structure .....	51



4.5.	NORAD's operationalisation of environmental goals	53
4.5.1.	General strategies for development assistance	53
4.5.2.	Developing an environmental strategy	55
4.5.3.	Environmental Action Plans (EAP)	56
4.6.	Administrative procedures	57
4.6.1.	Environmental concerns in general procedures	57
4.6.2.	Environmental Assessment (EA)	61
4.7.	Recruitment and competence-building	64
5.	NORAD'S ENVIRONMENTAL POLICY IN PRACTICE	67
5.1.	Introduction	67
5.2.	Projects and measures aimed directly at environmental improvement	68
5.2.1.	The Special Grant for the Environment and Development	68
5.2.2.	Statistics on environmental activities	69
5.3.	Integration of environmental concerns in country programmes	71
5.3.1.	Environmental assessments in country programmes	72
5.3.2.	Environmental activities and projects in country programmes	72
5.4.	Integration of environmental concerns in regional funds	73
5.4.1.	Environmental assessments in regional programmes	73
5.4.2.	Environmental activities and projects in regional programmes	74
5.5.	Environmental concerns in NGO projects	76
5.5.1.	Organisation	76
5.5.2.	Policy guidelines	76
5.5.3.	Procedures	77
5.5.4.	Environmental expertise	78
5.5.5.	Environmental assessments of NGO projects in practice	79
5.6.	Industrial and Commercial Cooperation	80
5.6.1.	Organisation	80
5.6.2.	Guidelines	81
5.6.3.	Procedures	82
5.6.4.	Environmental assessments in practice	83
6.	CONCLUSIONS AND RECOMMENDATIONS	87
6.1.	Introduction	87
6.2.	Policy formulation	90
6.2.1.	Overall principles and goals of Norway's bilateral development assistance	90
6.2.2.	Policy guidelines from the Ministry	90
6.3.	The organisation of Norwegian aid and environmental challenges	92
6.3.1.	Organisation and procedures in MFA, and relations between MFA, NORAD and the Ministry of the Environment (ME)	92

6.3.2.	Organisation and procedures in NORAD . . . . .	93
6.4.	NORAD's environmental performance in practice . . . . .	96
6.4.1.	The system for environmental assessment (EAs) . . . . .	97
6.4.2.	Country and Regional Programmes . . . . .	98
6.4.3.	Projects supported by the Industrial Development Department . . . . .	99
6.4.4.	Support through NGOs . . . . .	100
6.5.	Recommendations . . . . .	100

## Figures

Figure 1	<i>The policy-making process</i> . . . . .	12
Figure 2	<i>Aid policy, operational strategies and implementing measures</i> . . . . .	15
Figure 3	<i>Organisation of the development assistance administration 1990-1995</i> . . . . .	38
Figure 4	<i>Organisation of the development assistance administration 1995</i> . . . . .	38
Figure 5	<i>NORAD's former organisational structure</i> . . . . .	49
Figure 6	<i>Proposed new organisational structure in NORAD</i> . . . . .	52
Figure 7	<i>NORAD's internal project cycle</i> . . . . .	58
Figure 8	<i>EAs in NORAD's project cycle</i> . . . . .	63
Figure 9	<i>Handling of project applications</i> . . . . .	83

## Text boxes

1	<b>Governmental policy documents regarding Norwegian development assistance</b> . . . . .	28
2	<b>Reorganization of the development assistance administration</b> . . . . .	39
3	<b>Environmental concerns in country strategies</b> . . . . .	44
4	<b>NORAD's regional funds</b> . . . . .	74
5	<b>Incorporation of environmental concerns in two Norwegian NGOs</b> . . . . .	80
6	<b>Provisions for industrial and commercial support</b> . . . . .	81
7	<b>Examples of projects where NORAD has funded environmental investments</b> . . . . .	82
8	<b>The quality of EIAs</b> . . . . .	85

Annex I The World Bank's Experience

Annex II Evaluation Mandate



# 1. EXECUTIVE SUMMARY

## I) Introduction

The present evaluation was initiated by the Norwegian Ministry of Foreign Affairs (MFA) (see attached TOR) with the overall aim of assessing how and to what extent environmental concerns have been integrated into Norway's bilateral development assistance. The main focus is on the quality and effectiveness of the policy process, from the adoption by Parliament of overall goals and principles, through the MFA's formulation of strategies and guidelines, down to NORAD's operationalisation in terms of procedures and routines and the adequacy of capacity and competence to deal with environmental matters. This evaluation does not, however, scrutinise the performance of individual projects or programmes.

## II) Overall challenges

Norway's programme countries in the developing world face many serious environmental problems, although the extent of 'modern' pollution discharges to air, water and soil are still limited as compared to the situation of more rapidly industrialising economies in Asia and Latin America. The main problems in poorer developing countries are closely linked to the management of natural resources in agriculture, off farm resources, forestry, water, fishery and energy. Often, resource degradation is closely linked to a combination of population growth and lack of economic development.

Environmental institutions are generally weak, reflecting a relatively low level of environmental concern in the public as well as in government agencies compared to the OECD countries. Institutions as well as agendas are dominated by donor agencies, who provide the overwhelming share of environmental spending in the poorest developing countries.

The main environmental challenge for Norwegian development assistance is to integrate environmental concerns into regular aid activities across all sectors, with sustainable management of natural resources as the overriding priority. Building capacity in governmental and non-governmental institutions is a key means towards this end, not least because increased institutional capacity is necessary to create recipient-country ownership of environmental management and control. Specific environmental projects often serve as a useful supplement to the overall integration strategy, but the current proliferation of such projects beyond recipient government capacity and control leads to coordination problems and increases aid dependence.



### III) Policy trade-offs

When addressing environmental challenges, it is important to keep in mind the overall goals and dilemmas that all development aid activities have to face. Important in this regard are:

- To address carefully the trade-offs between environmental concerns and general efforts at ensuring economic growth and other development goals that may conflict with environmental values or targets.
- To base all environmental policy interventions and projects on the overall goal of recipient responsibility and corresponding efforts to enhance domestic ownership of aid projects and programmes.
- To balance environmental concerns against the many other goals in development policy which may not be in direct conflict with environmental values, but which compete for resources and may present implementing agencies with overly complex goal structures.

### IV) Achievements to date

Since the early 1980s, environmental concerns have developed into a considerable activity area in Norwegian development assistance, as well as in all other bi- and multilateral aid organisations. There are no general indications that the overall environmental performance of Norway's development assistance differs significantly from that of other OECD countries.

NORAD has gradually developed a system of environmental assessments (EAs) that reflects current OECD and World Bank thinking and standards. The environment is in fact the only cross-sectoral issue for which separate manuals and checklists have been developed, and there are more resources and competence available for environmental concerns than for comparable issues like women, human rights and democracy. Norway is also the first OECD country to commission a detailed review of environmental aid performance.

Norway has been at the forefront among donor countries in developing national environmental strategies in some countries - most notably in Sri Lanka. NORAD has gradually become more serious and consistent when addressing the dilemmas of recipient responsibility in the field of the environment, and has demonstrated more patience and flexibility than most other donors in efforts to build domestic institutional capacity in the environmental area.

An overall environmental assessment of Norwegian aid must take into account that a large share of Norway's development assistance is directed towards sectors and issues where the



environmental implications are marginal or non-existent. The aid channel facing the most serious environmental challenges - the Industrial Development Department - has the best functioning system for documenting EA performance within NORAD.

With the current policy focus, management system and implementation record in Norwegian aid, there seems to be little likelihood of NORAD aggravating major environmental hazards in developing countries.

#### V) Major scope for improvements

This evaluation has, however, identified a number of weaknesses in policy development, internal organisation, intra- and interagency communication and in implementation of the EA system. In brief:

- *An environmental strategy needed*

There are still deficiencies in overall policy development in the environmental field, leaving NORAD, as the implementing agency, in too much of a policy vacuum in terms of making priorities between different goals and principles. No overall environmental strategy has been developed, as requested by the latest White Paper on development policy. Responsibility for developing such a strategy rests with the Ministry of Foreign Affairs.
- *Inadequate communication procedures and interagency coordination*

Communication between environmental offices and officials in MFA and NORAD, as well as within these two institutions, has not been satisfactory. These problems are closely linked to organisational defects that have resulted in a lack of clarity in roles and responsibilities. For various reasons, neither the environmental staff of NORAD nor that of MFA have been smoothly integrated into the general decision-making process.
- *Lack of documentation procedures*

General routines for project documentation are very poor at the earliest stages of the project cycle: project preparation and appraisal. This makes it inherently difficult to control and evaluate NORAD's environmental performance, and is particularly problematic since these are the only stages in the project cycle where major modifications in project design can realistically be made.
- *Existing EA procedures not implemented*

It took NORAD some 10 years to develop a fully fledged EA system. The EA implementation record is still far from satisfactory. Only about half of the examined 1994



project portfolio could document the compulsory environmental screening in the appropriation documents required by NORAD's own EA manuals.

- *Improved competence and capacity needed*

There is still need for improvements in environmental competence in MFA and NORAD regarding both the number of full-time environmental specialists and general staff qualifications. The main challenge, however, is to enhance the ability of task managers to handle the EA system.

The current reorganisation process within both NORAD and MFA involves a potential to correct many of the deficiencies identified in this evaluation. This holds particularly for the clarification of lines of responsibility and decisions, and the new NORAD unit for quality control (*Resultatoppfølgingsenheten*).

## VI) Recommendations

### 1) *Cross-sectoral integration*

Address the environment as a genuine inter-sectoral issue, which will imply integrating environmental concerns into all projects and across all aid sectors. Avoid having increased priority to environmental issues move donor attention away from environmentally sensitive sectors like infrastructure and industry. Plan for a full integration of the Special Grant for the Environment and Development into mainstream aid activities.

### 2) *Sustainable resource management*

Continue giving priority to the major environmental challenge of poor developing countries: sustainable management of natural resources. Aid should focus on sound management of agriculture, off farm resources, forestry, wildlife, water and the energy sector. In addition, local air and water pollution that seriously affect people's wellbeing should be addressed. Thus, overall attention should continue to be directed to local environmental problems. Global issues should be addressed only where there are clear local benefits, as with some biodiversity projects.

### 3) *Domestic ownership*

Encourage domestic ownership of environmental management in recipient countries as a crucial precondition for sustainable development. Without domestic ownership, any environmental aid strategy is ultimately bound to fail. Ensure that support for NGOs, research institutions and consultancies does not run counter to the primary task of strengthening governmental institutions. In building institutional capacity, particular



attention should be paid to environmental legislation and the need for improvements in the general scientific basis for environmental policy.

4) *Donor coordination*

Contribute to improved donor coordination. Most donors today have the environment high on their agenda, but tend to give priority to own pet projects or to high-visibility (and often low-impact) projects more or less independent of recipient priorities. Particularly in the most aid-dependent countries, this calls for increased efforts to coordinate activities. National Environmental Action Plans (NEAPs), plans for Agenda 21 follow-up, and National Conservation Strategies represent important umbrellas for donor activities, and should continue to be given high priority and support by Norwegian aid.

5) *Environmental strategy*

Develop an overall environmental strategy that faces squarely the main challenges and dilemmas that a well-designed environmental policy will have to face. Such a strategy should provide NORAD with greater operational guidance and constitute a starting point for integrating environmental concerns into regular activities across all aid channels. In particular, clearer guidance is needed on which environmental standards to apply: Norwegian, recipient government or other. An overall strategy should also address trade-offs between the greening of aid and efforts to enhance domestic ownership of projects and policy formulation. Moreover there is a need for further clarification on how to cope with the proliferation of Norwegian aid goals and the absence of a clear-cut hierarchy of goals.

6) *Quality control*

Entrust the new unit for quality control with specific responsibility to monitor NORAD's environmental performance, in particular the effectiveness of EA implementation. Ensure that the new unit has sufficient authority, integrity and staff to take on such tasks, and encourage close cooperation with environmental advisers in FAG.

7) *External expertise*

Continue and expand the close cooperation between NORAD and environmental expertise in other government directorates and research institutes. Encourage increased environmental research cooperation between Norwegian and developing country institutions.

8) *Streamlining organisational structures*

Capitalise on current organisational reforms in MFA and NORAD, and the options thus provided for improving the decision-making process - in general and also in the



environmental field. Improve documentation routines, particularly at the early stages of the project cycle. Ensure clearly defined lines of communication within and between MFA and NORAD, and proper consultation routines with internal as well as external environmental expertise.

9) *Competence building in the aid administration*

Strengthen environmental competence in the Norwegian aid administration by ensuring that all relevant aid officials can handle the environmental assessment components of the project cycle. In view of the unavoidable capacity constraints on NORAD's environmental advisers, it is important that resources are used cost-effectively. In FAG, attention should concentrate on three main issues:

- projects with severe environmental impacts;
- training and awareness-raising of operating staff through EA courses held at NORAD's Training Centre or at embassies in Norway's programme countries. An environment specialist in FAG should be made responsible for training and implementation of the EA procedure throughout NORAD, and
- strengthen the advisory role vis a vis NORAD officials and cooperating partners working in the (broad) area of natural resource management.

Today, the EA course emphasises steps 2 and 3 of the EA procedure. The course should focus more on the initial screening process, in order to ensure that the potential environmental impacts of all projects are assessed as early as possible, and that all projects are handled according to existing procedures. The course should thus be aimed primarily at task managers at the embassies and other staff responsible for initial screening of projects. For these officials, the course should be made mandatory.

10) *The EA system*

Significantly improve implementation by ensuring that all projects are routinely screened and classified at the earliest possible stage in the project cycle. Experience from other aid agencies indicates that the most critical factor for effective EA procedures is timing. There is a tendency to spend considerable resources on producing comprehensive detailed reports with no implications for project design. One reason is that reports are prepared too late in the project cycle, when key choices concerning project design have already been made, and can no longer be modified or altered. A rough screening of environmental impacts under project identification is often far more productive than comprehensive full scale EIAs at a later stage, even if such EIAs may be crucial in projects with major environmental implications.



The following measures are needed to improve EA procedures in NORAD:

- i) More emphasis on the initial screening of projects.

All projects (including NGO projects) should be classified in three categories according to their assumed environmental impacts:

Category 1 = no significant environmental impacts, initial screening sufficient

Category 2 = some environmental impacts, rough analysis needed

Category 3 = severe environmental impacts, full EIA needed

No project preparation documents (the first stage in the project cycle) should be approved in the absence of such categorisation, and documentation routines should be significantly improved in order to allow for control of NORAD performance in this area.

- ii) Initial environmental screening and classification to take place during project identification and preparation.
- iii) If conducted early enough in the project cycle, full-scale EIAs can make important contributions to the design of environmentally sensitive projects. Care should be taken, however, to avoid proliferation of EIAs if the need for such studies is not documented.
- iv) Advise recipient governments to ensure independence between consultants with economic interests in project implementation and those assigned to undertake EIA studies. Ensure proper assessment of all EIAs by NORAD's environmental staff or external expertise.
- v) Involve NORAD's environmental expertise in the formulation of TOR for EIAs, in cooperation with local experts and external consultants.
- vi) Contribute to competence building in the recipient countries and domestic involvement in EA practices, for instance by working together with other donors on EA/EIA training courses at national or regional levels. The longer term aim of this learning process should be to qualify governments and independent institutions in recipient countries to take full responsibility for the tasks mentioned in iv) and v) above.

- vii) Sectoral and regional EAs should be made to facilitate long-term policy planning and to identify possible cumulative effects of several projects. Capitalise on such efforts made by other donors, and encourage further donor cooperation.



## 2. INTRODUCTION

### 2.1. Rationale and mandate for the evaluation

#### *The terms of reference (TOR)*

This evaluation was initiated by the Research and Evaluation Section of the Programme Department in the Norwegian Ministry of Foreign Affairs (MFA), which also formulated its terms of reference (TOR). The main purpose of the evaluation is to assess to what extent and how environmental concerns are integrated into Norway's bilateral development assistance. This is done through an analysis of the follow-up of environmental goals and principles in Norwegian aid as adopted by the Parliament in the early 1980s, with a particular focus on the operationalisation of goals and administrative routines set up to ensure effective implementation of environmental policies and guidelines. On the basis of this analysis, the report offers proposals for policy and administrative reforms to improve the overall environmental performance in Norway's development assistance (for a complete version of the TOR, see Annex 2.)

#### *Why evaluate the environmental performance of Norwegian development assistance?*

There are many reasons for evaluating the environmental performance of Norwegian development assistance at this point in time. First, integration of environmental concerns was introduced as a major policy goal in Norwegian development assistance over than 10 years ago. Its importance has since been reiterated on several occasions, not least in the preparations for and follow-up of the 1992 UNCED conference. The UNCED process also served to strengthen public awareness of international environmental issues in Norway, and the environmental dimensions of aid policies are increasingly subjected to scrutiny by the research community, environmental NGOs and the media. No systematic effort has yet been made, however, to assess the effectiveness of the response of MFA and NORAD to the overall policy goals established by the Parliament.

This report aims to fill this gap. In so doing, it intends to complement and to some extent build on efforts made to evaluate certain key components of Norwegian environmental aid policy over the past five years: the Special Grant for the Environment and Development (MFA, 1991); the environmentally oriented Sahel-Sudan-Ethiopia Programme (MFA, 1992 b); and the World Bank's procedures for environmental impact assessments (MFA, 1992 a). None of these reports, however, have been geared towards providing a picture of the integration of environmental concerns into Norway's regular bilateral assistance.

The need for an evaluation is also underlined by the conclusions of the North/South Commission (NOU, 1995). The Commission advocates a further strengthening of Norway's contributions to environmental management in developing countries, and proposes the establishment of a new environmental aid programme. This proposal is currently subject to



policy discussions in various fora, and the Government will present its stand on the issue in a White Paper to be issued in autumn 1995. The current evaluation will, it is hoped, provide relevant input to this work, by ensuring that past experience is taken into account when new policies are developed.

By analysing and systematising the results of past achievements, this evaluation aims to contribute to an on-going learning process in the Norwegian aid administration and external institutions involved in environmental aid activities. As pointed out by the North/South Commission (NOU 1995:5), evaluations can have various aims:

- 1) They may be carried out as parts of an internal learning process regarding administration of projects or programmes;
- 2) They may provide contributions to more fundamental and overriding learning processes, as well as to defining policies and strategies;
- 3) They may fill an independent control-function on behalf of the public.

These different functions imply different scopes and methods for evaluation processes. While control-oriented evaluations will have a very detailed focus on past achievements and failures, learning-oriented evaluations are naturally more focused on lessons for the future. Usually, evaluations are meant to touch on all three functions above. That is also the case here, although the emphasis of this report is on learning.

## **2.2. Interpretation of the terms of reference (TOR)**

Evaluating the overall integration of environmental concerns into Norwegian development assistance is far more challenging than assessing the performance of specific projects or programmes. In a certain sense, such integration reflects the post-UNCED challenge which governments face in aiming to integrate environmental values and principles into fundamental economic activities. It is much easier for the Norwegian Ministry of the Environment to set up and implement specific environmental programmes, treating the environment as one among many sectors, than to ensure effective inter-sectoral integration of environmental concerns in such diverse sectors as industry, energy, agriculture and international trade.

Likewise, since the overall aim of Norway's development cooperation is to assist poor countries in their efforts to sustain economic development, integration of environmental concerns into such a broad range of development activities is a major intellectual as well as administrative challenge. This requires that all parts of the Norwegian aid administration



internalise environmental knowledge and values, and develop guidelines and routines for integrating the environment into development planning. This implies a balancing of priorities between environmental and economic concerns that will necessarily conflict in many cases. In addition, environmental aspects will have to be balanced against other goals of Norway's development assistance - like women, human rights and recipient responsibility. Ensuring domestic 'ownership' of environmental programmes and projects in poor countries is particularly difficult, given the low level of environmental concern and the resulting weakness of government and non-governmental environmental institutions.

Ideally, the greening of NORAD should reflect a similar process in Norway's programme countries, without pushing poor governments to implement policies that are not well-rooted in domestic priorities. This is far easier said than done, however, with a political agenda in Western countries that is (understandably) significantly greener than in poor African countries. This often presses NORAD into a cross-fire between goals and priorities that are difficult to harmonise, and forms a dilemma whose implications are not always easy to convey to the Norwegian public. In chapter 3, further elaborations are made on the relation between environmental concerns and other goals to be pursued in Norwegian development assistance.

#### *Scope and limitations*

The above serves to illustrate the complexities involved in integrating environmental goals and principles into Norwegian development assistance. They must be kept in mind in defining the yardstick by which to judge whether Norway has succeeded in such integration. In spite of valuable efforts by OECD's Development Assistance Committee (DAC) in this area, we are far from any objective measure for cross-country comparisons of environmental aid integration performance.

Acknowledging the nature of this challenge and the limitations it implies with regard to specific evaluation criteria, the present assessment focuses on policy guidelines, routines and procedures for integrating environmental concerns into development assistance. Given that the environmental goals adopted by the Norwegian Parliament are general in nature and will have to be balanced against a range of other (potentially conflicting) goals, the development of more specific policy guidelines is a major task in itself. In Norway, this responsibility rests mainly with the Ministry of Foreign Affairs, which prepares White Papers as well as more specific directives based on overall policy signals from the Parliament. Next, policy guidelines will have to be conveyed clearly to the implementing agency (NORAD), for further operationalisation and the establishment of specific routines to ensure effective implementation - in Norway as well as in the respective recipient countries. It is the quality and effectiveness of this policy process - from the Parliament through the Ministry of Foreign Affairs to



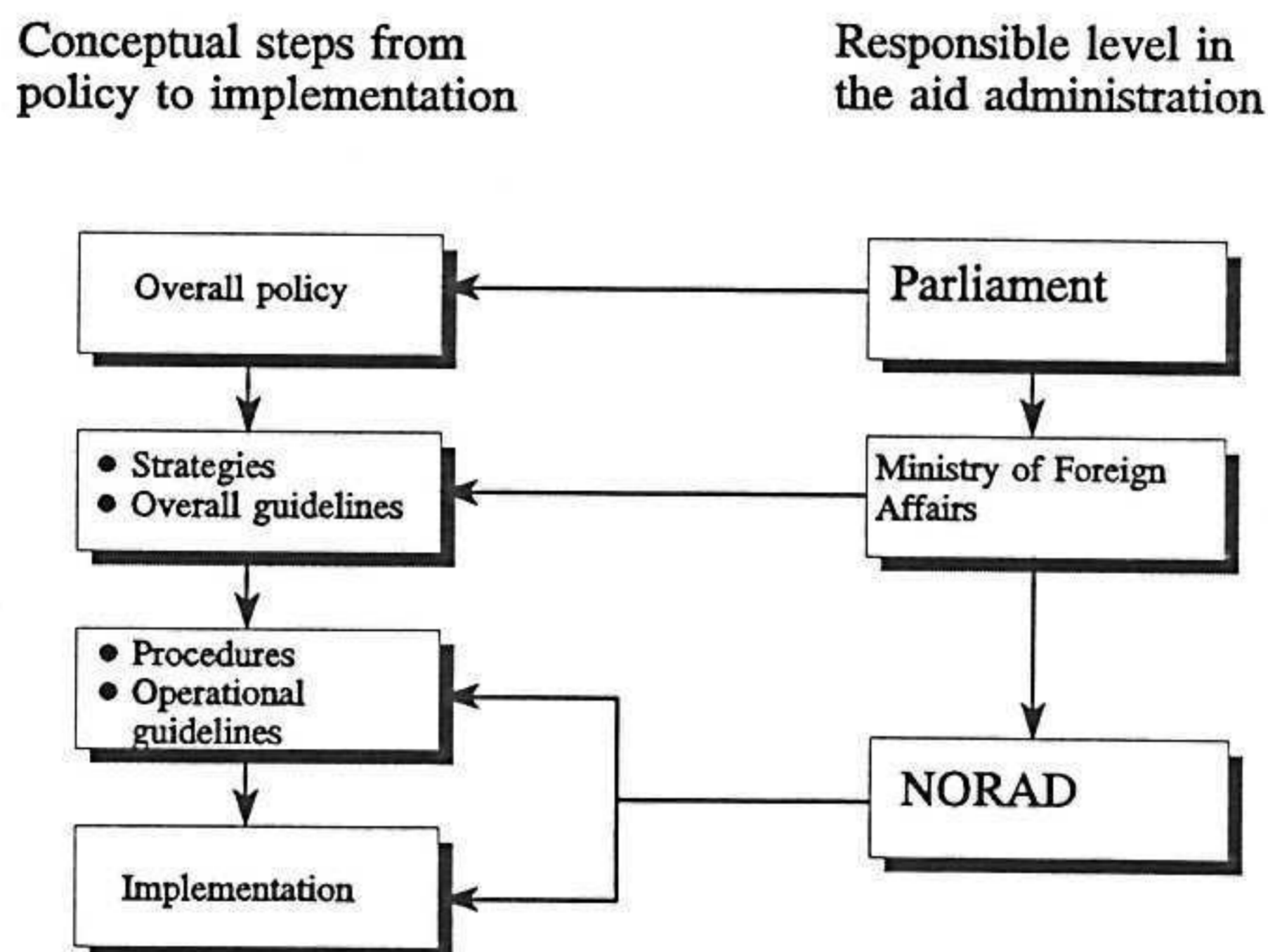
NORAD's home office and representations in programme countries - that is the main focus of this evaluation.

Accordingly, the TOR require the evaluation to focus on the following three policy levels:

- 1) Overall goals and principles
- 2) Strategies and policy guidelines
- 3) Administrative routines and instruments

A main task is to examine how environmental concerns are reflected throughout all stages of Norway's aid policy process. This policy is formulated and implemented in cooperation involving several political and administrative units, as illustrated in the following figure:

**Figure 1** *The policy-making process*



With a few exceptions, this evaluation covers all of Norway's major bilateral aid channels, including country programmes, regional programmes, as well as aid through NGOs and through the office for industrial cooperation. The Volunteers Service is not evaluated here, nor does the evaluation cover the Special Grant for the Environment and Development, nor multilateral development assistance. The environmental performance of these aid channels has been evaluated recently, and is referred to only when relevant to the overall subject of this report.



Significantly, the scope of the evaluation does not allow for detailed assessment of how environmental concerns are integrated into specific environmental projects and programmes. That would require another time frame and far more resources than available for this evaluation. However, study missions have been made to two programme countries: Sri Lanka and Tanzania. Here, interviews and meetings have been held with NORAD representatives, officials in various ministries and agencies, research institutions and NGOs, as well as with representatives of other bilateral and multilateral aid organisations. The main aim of these visits was to study how NORAD cooperates with recipient governments and other institutions in the programme countries, and how these NORAD offices perceive and handle policy guidelines and routines basically developed in Oslo. Again, no effort has been made to assess in detail the integration of environmental concerns into specific projects and programmes.

### **2.3. Terminology, concepts, definitions**

Development assistance and development policy is a vast and complex area of study, with the environmental dimension and other cross-sectoral concerns further complicating the picture. This implies a rich terminological flora that is often difficult to grasp even for the most experienced insiders. Furthermore, various concepts and definitions also tend to be inconsistent across research reports, journals, policy documents and internal memos. Adding to this challenge is the fact that certain key concepts gain political and symbolic importance in specific contexts - for instance in turf battles between agencies who fight over who is mandated to make decisions in controversial policy discussions.

Efforts will be made here to be as consistent as deemed feasible. Exceptions to this rule may occur if standard definitions diverge more or less systematically from the terminology applied in the report. Below, several important conceptual and terminological issues are briefly discussed in order to function as a 'readers' manual' to the overall report.

#### *Environmental concerns*

There is not necessarily any objective definition of what is meant by concepts like 'environmental concerns', 'environmental integration' and 'sustainable development'. The United Nations Development Programme (UNDP) has recently introduced the concept of *sustainable human-centred development*, adding further to the confusion. In the next chapter, different aspects of the relation between environment and economic growth will be discussed, including efforts to understand the extent of trade-offs versus complementarities between the two. An important concern for this evaluation is the extent to which there exists a common understanding of yardsticks for assessing whether or not environmental concerns are sufficiently integrated into development assistance. The immediate answer to this question is definitely 'no' if read in a formal sense, since subjective perceptions are bound to vary



significantly - for instance, between Western environmental NGOs and the governments of developing countries.

Even if substantial progress has been made over the past decade in terms of understanding the dynamics behind the environment/development interface, it is not possible in this report to take a definite stand on whether environment is sufficiently integrated into Norwegian aid. This would imply making normative and political judgements beyond the TOR's scope. The main focus is instead on the quality and effectiveness of the process leading from overall policy signals through guidelines and procedure down to the implementation of the established policies. The TOR do not expect the evaluation team to judge whether environmentally 'correct' decisions are made on, say, specific hydro-power projects receiving Norwegian support. What they require, however, is that the quality and relevance of existing procedures for environmental assessment, as well as NORAD's implementation record, should be examined. Of course, examining the quality and relevance of procedures for environmental assessments is bound to bring subjective judgements into the picture.

In addition to scrutinising the relevant decision-making structures in light of established environmental goals, efforts have also been made to relate the Norway's performance to that of the World Bank and other bilateral donors like Denmark and the Netherlands. Again, however, it has been possible to make only very rough assessments in this respect, partly due to structural differences and partly because no OECD country has yet evaluated the overall environmental performance of its development assistance (Denmark is about to do so, and the evaluation is intended to be completed by March 1996). Nevertheless, lessons and impressions from other countries and organisations have been very useful as a way of placing Norwegian achievements in perspective. A separate assessment of the World Bank's experience in this field is also provided in Annex 1, although the main aim here is that of learning and not comparison as such.

#### *Environmental goals, strategies and measures*

In this evaluation, a distinction is made between:

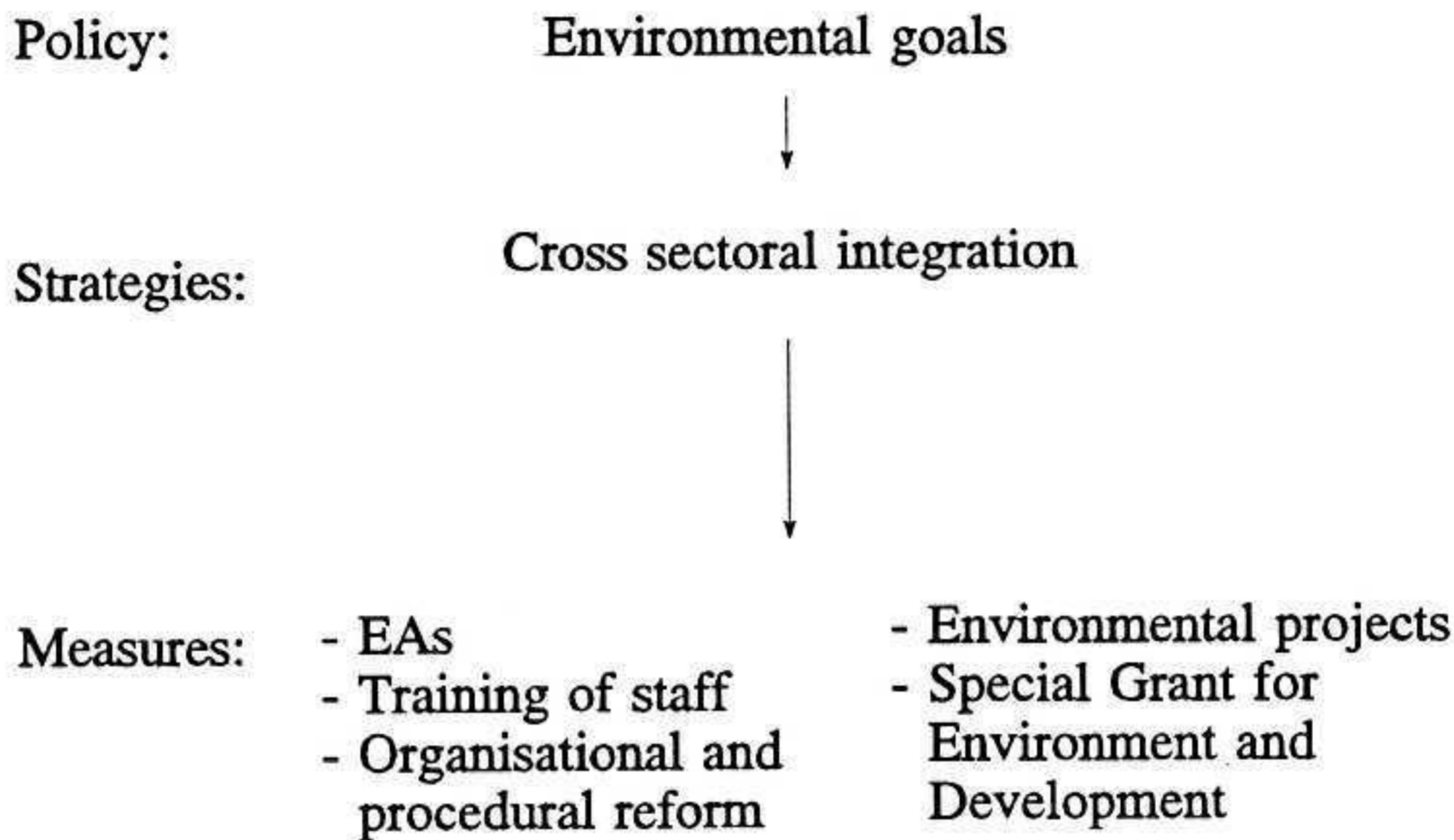
- integration of environmental concerns into development assistance - with the environment as a genuinely cross-sectoral dimension, and
- specific environmental projects.

The main focus will be on how environmental concerns are integrated into all aid channels, underlining that the environment should be treated as a cross-sectoral concern and not a separate sector. To the extent that the evaluation assesses specific environmental projects, such



projects are judged as elements in an overall strategy of integrating such concerns in development assistance.

**Figure 2** *Aid policy, operational strategies and implementing measures*



#### *Environmental assessment (EA) and environmental impact analysis (EIAs)*

This report distinguishes between environmental assessments and environmental impact analysis. Environmental assessment encompasses all aspects from initial screening to full environmental impact analysis, as well as environmental audits and related mechanisms. However, only a limited number of projects need detailed analysis of environmental impacts. The term Environmental Impact Analysis (EIA) is reserved for such cases. This distinction also refers to NORAD's procedures for integration of environmental concerns, as will be further elaborated in chapter 4.

#### **2.4. Outline of the report**

This report is divided into four main parts. In chapter 3 the goals and principles for environmental integration in Norwegian development assistance policy are assessed. Are they relevant and sufficient in the view of the environmental challenges facing Norway's main partner countries? Goals will also be discussed in relation to other, and possibly conflicting, goals for Norwegian development assistance.

Chapter 4 assesses various guidelines, strategies and tools developed by Norway's development assistance administration. Have the overall goals adopted by Parliament been given proper operationalisation, and thus made relevant for practical project activities in the recipient

countries? The administrative structures as such will also be scrutinised. To what extent have there been clear lines of command and division of responsibilities between and within the two main actors, MFA and NORAD? In chapter 5, the implementation of strategies and guidelines in NORAD's overall activities is discussed, while chapter 6 presents overall conclusions and recommendations for improving environmental performance of Norway's development assistance.



### 3. ENVIRONMENTAL GOALS AND STRATEGIES IN NORWEGIAN BILATERAL AID

This chapter describes and discusses the overall goals and strategies adopted in order to integrate environmental concerns into Norwegian development assistance. A survey of key environmental challenges and potential trade-offs in programme countries precedes the presentation of relevant developments in Norway's aid policies since the early 1980s. Then questions are raised as to what extent the content and direction of these policies represent an *adequate response* to environmental problems in the programme countries, and whether environmental goals and policies are in conflict with other goals of Norwegian development assistance.

#### 3.1. Main environmental challenges to Norway's programme countries

Norway's programme countries face many serious environmental problems. Their environmental situation is similar to the majority of poorer developing countries, and differs in significant ways from environmental pressures in most middle-income countries in Asia and Latin America.

The environmental challenges of the programme countries are closely linked to the management of natural resources in agriculture, forestry, fishery, off farm resources and energy. They fall into the following categories:

- i) land degradation - erosion, deforestation, loss of biodiversity, desertification and decreasing soil productivity,
- ii) lack of accessible water supply and poor water quality due to inadequate sewage and waste water treatment, excessive use of water and inappropriate use of fertilisers and pesticides; and
- iii) energy-related environmental problems, primarily in conjunction with harvesting of fuelwood and other forms of biomass fuel, from indoor air pollution from cooking fires, and environmental implications of large-scale energy supply projects.

*Land degradation* is particularly acute in large areas of sub-Saharan Africa. It results from a (complex and still not very well understood) combination of enduring and often acute poverty, inadequate land management, intensified production patterns and increased population pressures. In the first half of this century, shifting cultivation and grazing were appropriate traditional responses to abundant land, scarce capital and limited technology - while agricultural systems gradually evolved towards more intensive production methods. This



slowly evolving system has, however, proved unable to adapt to sharply accelerated population growth over the past four decades. Traditional uses of land and fuel have depleted soil and forests and led to agricultural stagnation, and droughts are increasingly forcing poor farmers into unsustainable land management patterns. Many people have no choice but to cultivate land not previously used for farming - in semi-arid areas and in tropical forests where soil and climatic conditions are poorly suited for annual cropping. A combination of high population densities and low investment has caused arable land per person in sub-Saharan Africa to decline from 0.5 hectares in 1965 to 0.3 per hectare by the late 1980s (World Bank, 1992). Globally, it has been estimated that as much as 1/5 of arable land has been lost since 1950 due to erosion and other environmental pressures (MFA, 1992). In developing countries, the loss of land has outpaced cultivation of new areas.

*Lack of safe water supply* is a major health risk in developing countries. It stems from inadequate household sanitation and sewerage systems, inappropriate use of fertilizers and pesticides, and in urban areas the lack of industrial wastewater treatment. Contamination of groundwater is an increasing problem in many countries. Together with wasteful consumption patterns in agriculture and industry, this serves to aggravate water shortages that are forcing millions of people to rely on unsafe sources of drinking water. Diarrhoeal diseases resulting from contaminated water are estimated to kill about 2 million children and cause about 900 million cases of serious illness each year (World Bank, 1992).

*Energy-related environmental problems* are most acute in middle-income developing countries experiencing rapid industrialisation and transport-sector growth. Still, the use of biomass fuels for cooking in poorer countries gives rise to high levels of indoor pollution, harming especially women and children. According to World Bank estimates, some 500 million women and children in developing countries suffer from severe indoor pollution from cooking fires (World Bank, 1992). Biomass utilisation is also a source of ecological damage in most of Norway's programme countries: the use of dung and crop residues depletes soil productivity, and deforestation due to fuelwood use often causes soil erosion. Electricity shortages are another a serious bottleneck which hampers poor countries' development efforts, but large-scale energy projects aimed at remedying this scarcity often entail environmental damages. In Norwegian aid, hydro-power projects dominate in the energy sector. While hydro-power is generally considered to be "clean" energy (compared to e.g. coal), such projects may also have serious environmental impacts.



**Table I Principal health and productivity consequences of environmental mismanagement in developing countries**

<i>Environmental problem</i>	<i>Effect on health</i>	<i>Effect on productivity</i>
Water pollution and water scarcity	More than 2 million deaths and billions of illnesses a year attributable to pollution; poor household hygiene and added health risks caused by water scarcity	Declining fisheries; rural household time and municipal costs of providing safe water; aquifer depletion leading to irreversible compaction; constraint on economic activity because of water shortages
Air pollution	Many acute and chronic health impacts: excessive urban particulate matter levels are responsible for 300,000-700,000 premature deaths annually and for half of childhood chronic coughing; 400 million-700 million people, mainly women and children in poor rural areas, affected by smoky indoor air	Restrictions on vehicle and industrial activity during critical episodes; effect of acid rain on forests and water bodies
Solid and hazardous wastes	Diseases spread by rotting garbage and blocked drains. Risks from hazardous wastes typically local but often acute	Pollution of groundwater resources
Soil degradation	Reduced nutrition for poor farmers on depleted soils; greater susceptibility to drought	Field productivity losses in range of 0.5-1.5 percent of gross national product (GNP) common on tropical soils; offsite siltation of reservoirs, river-transport channels, and other hydrologic investments
Deforestation	Localized flooding, leading to death and disease	Loss of sustainable logging potential and of erosion prevention, watershed stability, and carbon sequestration provided by forests
Loss of biodiversity	Potential loss of new drugs	Reduction of ecosystem adaptability and loss of genetic resources
Atmospheric changes	Possible shifts in vector-borne diseases; risks from climatic natural disasters; diseases attributable to ozone depletion (perhaps 300,000 additional cases of skin cancer a year worldwide; 1.7 million cases of cataracts)	Sea-rise damage to coastal investments; regional changes in agricultural productivity; disruption of marine food chain

Source: World Bank, 1992

Other environmental problems in programme countries include threats to wildlife - a central concern of many governments, because wildlife bring in huge revenues from tourism if managed sustainably. Then there is industrial waste and other emissions from industrial activities. Due to the low level of economic development in African and South Asian countries (with India as a partial exception), these are not yet serious problems on a large scale and thus not prime governmental priorities. The same applies to atmospheric emissions of gases like SO<sub>2</sub>, NO<sub>x</sub> and CO<sub>2</sub>. In general, the contributions of the Norway's programme countries to regional and global environmental pressures are very small. The contrast to middle-income countries in Asia and Latin America is striking in this respect, with China emitting half of all developing-country greenhouse gases and ozone-depleting substances.



Environmental institutions in Norway's programme countries are generally weak, reflecting a (comparatively speaking) low level of environmental concern in the public as well as in government agencies. Environmental legislation is often at a rather immature level, and implementation records are generally bad where laws are in place. Institutions as well as agendas tend to be dominated by donors, who provide 80-90 % of total environmental spending in many of the poorest developing countries. Even most officials in environmental ministries are often financed directly by foreign aid agencies, and this holds even more for the fledgling environmental NGO sector. Weak government institutions have a hard time coordinating the 50-60 different donor agencies running environmental projects in each of the countries. Due to domestic capacity constraints at many levels, donors often go beyond governmental institutions and ally themselves with foreign experts and in some cases local NGOs. Donors also tend to be badly coordinated; this results in duplication of efforts and institutional rivalry, with individual donors financing their own pet projects and institutions without due concern for the overall shape of the environmental sector.

Partly for the reasons just given, a common feature in many developing countries is lack of scientific information on the state of the environment. Data problems are particularly acute in the area of land degradation, as it is difficult to produce reliable estimates of soil quality, erosion and the rate of deforestation and desertification. For instance, serious scientific controversy surrounds the issue of what really constitutes desertification. Popular images of an ever-growing Sahara Desert have been countered by experts who claim that there is no sound scientific basis for the notion of rapidly increasing desertification of the African continent. Similarly, the extent to which there really is a fuelwood crisis has been put into question recently, and deforestation estimates are clouded in almost fundamental uncertainty. Far from disproving the existence of serious environmental problems in developing countries, these features comprise a major challenge for environmental management and policy-making, and call for strong efforts to improve the knowledge basis for environmental control strategies in the developing world.

### *3.1.1. Poverty and the environment - causes of environmental degradation in programme countries*

Understanding the dynamics behind environmental degradation in developing countries is an essential basis for the formulation of implementable development aid policies. However, the causes of environmental problems in poorer parts of the developing world, including Norway's programme countries, are complex and strongly interrelated. Often consensus is lacking on important parameters, and discussions over causal relationships still create serious controversy. Poor people are both victims and agents of environmental damage. Acute poverty forces people into a range of unsustainable patterns of resource management. About half of the



world's poor live in rural areas that are environmentally fragile, and they rely on natural resources over which they have little legal control. Due to skewed land distribution between rich and poor, many farmers resort to cultivating unsuitable areas - steeply sloped, erosion-prone hillsides; semi-arid land where soil degradation is rapid, and tropical forests where crop yields on cleared fields frequently drop sharply after just a few years. Lack of inputs (like machinery, scientific knowledge, and fertilizers) caused by poverty also make large land areas unsustainable for agricultural exploitation. Finally, poverty also fuels population growth, which is seen by many experts as a major driving force behind increasing poverty as well as environmental degradation. Population growth increases the demand for goods and services, and, if practices remain unchanged, implies increased environmental damage.

Accordingly, poverty leads to environmental degradation. And if this degradation is not seriously addressed, environmental problems also become a serious obstacle to development. Poor people are forced into shortsighted unsustainable patterns of resource use that often serve to undermine their own development prospects in the longer term. Poor communities often have a strong ethic of stewardship in managing their traditional lands. But their fragile and limited resources, their often poorly defined property rights and poorly developed environmental policies, and their limited access to credit and insurance markets all prevent them from proper investments in environmental protection. Poverty also leads to increased urbanisation, adding new dimensions to already serious social and environmental pressures in big cities.

The overall extent of this dilemma varies significantly between countries and regions and is clouded in huge uncertainties. Enough is probably known, however, to suggest that there is only one major avenue for coping with the dilemma: sustained efforts at poverty alleviation through sound economic development. The positive side of the coin is that substantial synergies exist between alleviating poverty and protecting the environment. Economic activities stimulated by environmental policies - such as the use of agroforestry and windbreaks to slow erosion, and the construction of infrastructure for water supply and sanitation - are often labour-intensive and thus can provide employment. Extension and credit programmes and the allocation of land rights to squatters increase the ability of the poor to make environmental investments and manage risks. Investments in water and sanitation and in pollution abatement will also benefit the poor by improving their health and productivity.

Moreover, the achievement of equitable economic development requires increased attention to education and health services. Awareness, knowledge and ability to handle environmental challenges tend to increase with higher living standards. The same goes for an efficient environmental management system, including legislation, proper regulatory measures, monitoring and enforcement, which all are more likely to be attained in countries experiencing



sustained economic development. In several of Norway's programme countries, a state-centred economy and society (in the period 1965-1990) has deprived the country of many of the positive environmental impulses observed elsewhere - like the general efficiency improvements along with market-oriented economic growth, as well as a strong civil society, including environmental NGOs - that have been major catalysts of environmental improvements in other countries. For these reasons, the current economic and political reform process - although environmentally problematic in some ways - may prove beneficial in overall environmental terms.

### *3.1.2. Economic growth and environmental concerns - what are the trade-offs?*

Poverty is the key environmental problem in the developing world. Vigorous economic development efforts are necessary, though not sufficient, conditions for proper environmental management. As long as enhanced development efforts and environmental protection measures are mutually reinforcing, policy-makers are faced with rather benign choices of action. *The World Bank 1992 World Development Report* is generally optimistic about synergy effects between environment and development. A basic assumption made is that economic development and sound environmental management are complementary aspects of the same agenda. Consequently, the first chapter of the report is titled '*Development and the environment: a false dichotomy*'. The Bank admits that economic growth has often caused and still causes serious environmental damage. They argue, however, that such adverse effects can be sharply reduced; and that with effective policies and institutions, income growth will provide the resources for improved environmental management.

Many analysts are critical of the World Bank's optimism on the trade-off issue, especially when it serves to legitimise and give a green touch to market-oriented growth policies. In any case, it is important to come to grips with the question of trade-offs, since conclusions in this respect may have significant aid-policy implications. Without taking any stand for or against World Bank positions in this area, it is worth quoting the 1992 report's attempt to categorise the basic links between economic growth and environmental problems:

- '...Some environmental problems decline as income increases, because it provides the resources for public services such as sanitation and rural electricity. When individuals no longer have to worry about day-to-day survival, they can devote resources to profitable investments in conservation.
- Some problems initially worsen but then improve as incomes rise. Most forms of air and water pollution fit into this category, as do some types of deforestation and encroachments of natural habitats. There is nothing automatic about this improvement; it occurs only



when countries deliberately introduce policies to ensure that additional resources are devoted to dealing with environmental problems.

- Finally, some indicators of environmental stress worsen as incomes increase. Emissions of carbon and of nitrogen oxides and municipal wastes are current examples. In these cases abatement is relatively expensive and the costs associated with the emissions and wastes are not yet perceived as high - often because they are borne by someone else. The key is, once again, policy.'

Most environmental challenges in Norway's programme countries fall into the first two categories, which generally should imply relatively benign trade-offs. Still, there are likely to be exceptions, as for instance experienced in many controversies over hydro-power projects. Here, large schemes with clear benefits to tens of thousands of poor, power-hungry people may be stalled for years or scrapped altogether even in the poorest of developing countries - due to environmental concerns. The Kihansi power project in Tanzania provides a good illustration. In order to save Dar es Salaam from the serious power shortages (electricity was available to the city of Dar Es Salaam less than 50 % of the time during 1992-93), the Tanzanian government and foreign donors decided to rush the Kihansi project. As of 1995, the project is in a deadlock due to uncertainty and disagreements over the quality of the relevant environmental impact assessments, and the environmental lobbies in donor country capitals are actively trying to get the whole project cancelled. This is not the place for judgements on this particular controversy, which is mentioned here to exemplify the salience of environment/development trade-offs in poor developing countries.

The same can be said of the often heated controversy over conservation versus management of wildlife resources in African countries. Donor preoccupation with conservation at almost any cost tends to alienate tribal people and farmers and creates serious conflicts over land-use rights. Experience and research has gradually led to increasing awareness among donors as well as domestic governments of the complex challenge of combining management and conservation of wildlife. Even if conflicts and disagreement persist in many areas, there is a clear development towards a converging of views - implying that trade-offs between conservation and management are less malign than perceived to be some years ago.

When discussing the nature and extent of trade-offs between environment and development, there is no way to avoid the complexities created by 'the subjective factor' and what environmental standards should be applied at given levels of economic development. There is no objective answer to "how clean is clean". Almost by definition, development implies environmental costs in some way or another. The question is how much environmental degradation can be tolerated without either rectifying measures or demands for a full stop to



the given activity. Examples here may be controversial power projects, pollutive industries, and the construction of roads through nature reserves. This highlights the issue of what comprise reasonable levels of environmental standards, a question often complicated by a high level of uncertainty.

Naturally, perceptions as to what are reasonable environmental standards vary between countries according to level of development as well as cultural values and historical traditions. The more advanced the economy of a country is, the stricter the environmental standards tend to be - other factors constant. Therefore, there are strong reasons to assume that the level of environmental standards, in implicit as well as explicit terms, is stricter in donor countries than in programme countries. This fact makes up the background for current policy discussions on what environmental standards should apply in aid projects. Environmental NGOs in the North argue for the same (strict) standards for investments at home and abroad, including in developing countries, and they have succeeded in pushing Western governments quite far in this direction. Many poor governments, on the other hand, are becoming increasingly vocal in their resistance to this rather extensive form of green conditionality. Caught somewhere in-between are many aid agencies who try to define compromises tied to the particular circumstances in a given country - physically as well as in terms of culture and historical traditions.

Even defining standards based on pure physical criteria is a huge challenge, since countries differ significantly in terms of environmental pressures and carrying capacity. So do areas within a particular country. The carrying capacity of natural resources concerning e.g. exposure to acid rain may be robust in one region and critical in another, depending on local soil and water contingencies as well as directions of atmospheric transportation of pollutants. Also, certain agricultural practices may be sustainable in one context and unsustainable in another, again depending on the site-specific natural environmental characteristics.

### **3.2. Goals and strategies for integrating environmental concerns into Norwegian development policy**

#### ***3.2.1. General goals for Norwegian development assistance.***

The Norwegian Parliament - the Storting - has over the past 30 years endorsed a number of general goals to be pursued in Norway's assistance to developing countries. These goals appear under various headings, such as in the following three categories:



*i) Overall goals*

The overall rationale for Norwegian development assistance is to improve the economic, social and political conditions of the population in developing countries. Main policy goals are poverty alleviation and recipient responsibility.

*ii) Priority areas*

In the latest White Paper no. 51 (1991-92), priority areas are identified as promotion of a sustainable development; economic growth; social development; women; children; and democracy and human rights. These goals are intended to give more specific directions with regard to some issue areas which will be given highest priority in Norwegian policy.

*iii) General means by which to attain the goals*

Finally, some directions are given regarding the measures to be applied to achieve these goals. In White Paper no. 51 (1991-92), the following measures are listed: recipient responsibility, capacity- and institution building; geographical concentration; aid through private organisations; and disaster relief.

This listing shows that the relationship between these different types of goals is not always well specified. Goals like economic growth and recipient responsibility are mentioned under several headings. Likewise, sustainable management of natural resources is both an overall goal and a priority area - as will be further elaborated in the next section.

### **3.2.2. Environmental goals, priorities and measures**

*Overall goals*

Integration of environmental concerns was established as an overall goal in Norwegian development assistance policy more than 10 years ago, with the first governmental directive to this effect issued in 1981. The Ministry of Development Cooperation as well as the Ministry of Environment were to be responsible for implementing this new goal. This was officially confirmed in White Paper no. 36 (1984-85), and has since been repeated in all major policy documents on development assistance.

According to initial policies, environmental concerns were to be integrated into development policy through two parallel measures. First, specific environmental projects should be given higher priority. Secondly, environmental concerns should be implemented in all aid activities through inter-sectoral integration in all of the traditional aid channels. Environmental concerns were thus to be pursued as an inter-sectoral filtering mechanism for all NORAD activities, as well as through targeted environmental projects.



These goals have been further specified along two lines. Several White Papers (see Box 1) have provided directions on which areas are to be given priority, as well as implementation measures needed to achieve the stated goals.

#### *Priority areas*

- Strengthening of administrative capacity and competence building has been given priority from the beginning, and was already mentioned in White Paper no. 36 (1984-85). Information activities stressing the importance of environmental issues and other awareness-raising efforts are also to be supported. This has remained a pivotal strategy, and is also listed as a main environmental priority in the 1990s in White Paper no. 51 (1991-92).
- In line with this, improved management of natural resources has been another focal issue. The 1984 White Paper listed various problems caused partly by poor management practises - desertification, deforestation, irrigation and loss of genetic resources. Water management, agricultural production and management of coastal areas have been central issues in all White Papers.
- The strain on the environment assumedly due to population growth is given increasing attention in the White Papers. White Paper no. 46 (1988-89) links population control measures to conservation of natural resources and the environment. In the 1992 White Paper, population control is presented as one of four main environmental priorities for the 1990s.
- The fourth main environmental priority for the 1990s is research, development of technology and energy efficiency measures (White Paper no. 51 (1991-92)).
- The 1992 White Paper also introduces the issue of global environmental problems into Norwegian aid policy. Both climate change and depletion of the ozone layer are listed among the environmental problems faced by developing countries. However, it is duly emphasized that the industrial countries hold primary responsibility for these problems.

#### *Implementation measures*

- *Development of national environmental strategies in the recipient countries*  
Support to the development of country-specific overviews of the environmental situation, as well as national strategies for the management of natural resources in recipient countries, was recommended in White Paper no. 36 (1984-85). These measures were repeated in 1986, 1989 and 1992.



- *Country-specific environmental action plans for NORAD activities*

In 1992 White Paper no. 51 (1991-92), resident representatives were also required to develop environmental action plans, describing NORAD's ongoing and planned environmental activities in the respective programme country. The plans were to describe how different channels, including industrial and commercial cooperation, would contribute to better management of natural resources.

- *Environmental assessments (EAs)*

Assessment of the environmental consequences of projects was formulated as a goal as early as in 1984. However, this White Paper specified Environmental Impact Assessments (EIAs) to be conducted only on "relevant" projects. The 1986 follow-up paper specified that environmental assessments are relevant for all channels, state-to-state cooperation, private organisations and projects in the industrial sector, and should be carried out as a part of the planning of all new projects. Furthermore, the environmental consequences of running projects should also be elaborated. The 1989 White Paper also states that Environmental Impact Assessments are required in all projects which affect the natural resource basis in recipient countries.

- *The Special Grant for the Environment and Development*

A special grant for environment and development was introduced in 1984 (Proposition to the Storting no. 1 (1983-84)). Although originally meant as a provisional arrangement, it is still in operation as of 1995. The grant was evaluated in 1991 (MFA, 1991), and is thus not dealt with in this report.



---

## **1 Governmental policy documents regarding Norwegian development assistance**

Integration of environmental concerns into Norwegian development assistance was made official policy by the Labour government of Gro Harlem Brundtland in 1981. Since then, the relationship between the environment and development in Norwegian aid policies has been elaborated in the following White Papers:

- White Paper no. 36 (1984-85) - Some major questions in Norwegian development assistance.
- White Paper no. 34 (1986-87) - Major questions in Norwegian development assistance - Supplement to White Paper no. 36 (1984-85).
- White Paper no. 46 (1988-89) - Environment and development - Norway's follow-up to the World Commission Report
- White Paper no. 51 (1991-92) - Development in North-South relations and Norway's cooperation with the developing countries.

The latest document in this series is the report from the North-South Commission (NOU 1995:5), which will form the basis of the next White Paper on development aid, due to be issued in Autumn 1995 and discussed in Parliament in the early Spring of 1996.

---

### **3.3. Assessment of environmental goals in Norwegian development assistance**

#### **3.3.1. *Development policy as arena for a growing number of concerns***

The list above indicates that Norwegian development policy has remained relatively stable throughout the past decade. Several goals introduced as early as in 1984 have been repeated in all major policy documents later on. The main features of inter-sectoral integration and environmental projects have run parallel since 1984, with the Special Grant as main vehicle of specific projects. In specific environmental projects, emphasis has been on institution building and better management of natural resources. As to inter-sectoral integration, the key measure has been environmental assessments (EAs), first of 'relevant' projects, and later of all projects financed by NORAD.

Emphasis on population control measures has increased over the years. Even though they are mentioned several times earlier, it is only in the latest White Paper no. 51 (1991-92) that population control measures are singled out as one of four main environmental priorities for the coming decade. Another important new aspect is global environmental problems, which



are fully introduced into Norway's development policy by virtue of White Paper no. 51 (1991-92).

The development of environmental goals in Norwegian aid policy reflects a growing general awareness of environmental pressures, as well as of the special responsibility to ensure that aid funds are spent in an environmentally sound way. Policy trends in Norway mirror similar developments in other countries and in multilateral agencies like the World Bank and UNDP, with no dramatic difference between Norway and other European countries in terms of overall goal formulation.

As mentioned earlier, integration of environmental concerns is only one among a long list of goals to be pursued by Norwegian aid. Hardly any goal or priority has been dropped from the list as new ones have been added, and it has thus been up to MFA and subsequently NORAD to assess the extent of trade-offs between various goals and the necessary adjustments needed in order to develop consistent policies.

### *3.3.2. The environment versus economic development*

The many environmental controversies over hydro-power schemes in developing countries serve to illustrate the conflict potential between two major aid policy goals: i) poverty alleviation through economic development, and ii) environmental protection. The most heated conflicts in this field typically involve the World Bank and national/local governments on the one hand - representing 'development interests', and local and international environmental NGOs on the other hand - the latter groups often supported by strong domestic constituencies in Western countries. Bilateral development agencies are increasingly drawn into such controversies, including NORAD. Current widely publicised conflicts where NORAD is involved are found in Namibia, Tanzania, Chile and Laos.

What makes hydro-power and related conflicts so difficult for aid agencies to handle is that they represent a typically malign trade-off situation between environmental and economic development goals. Access to electricity has important developmental spin-offs. It is also in many regards good environment and health policy, in that electricity in these regions in a longer perspective tend to substitute for the use of various forms of biomass. Still, there are obvious negative environmental impacts, as well as the social ramifications due to forced resettlement of people located in dam areas. Aid policy-makers therefore face a dilemma in such projects, as they do in more or less similar situations in, for instance, industrial projects resulting in waste and pollution to land and water.



The main question in this context is whether those responsible for implementing Norwegian development assistance policy are provided with a sufficiently clearcut policy basis on which to make informed decisions in such trade-off situations. There is also the question of whether the right management tools and competence are in place to handle these challenges, which will be discussed in more detail in chapters 4 and 5.

Starting out with the main policy documents, they generally provide a rather harmonious picture of trade-offs between environmental and developmental concerns. Some (vague) policy directions are given, however. First, poverty alleviation is often put forward as an overriding goal of Norwegian development assistance, implying a certain guidance in cases where this may conflict with e.g. environmental goals. There is, however, no explicit hierarchy of goals that makes it possible to rank possibly conflicting goals in any systematic way. Next, environmental problems at the local and national level in poor countries are given far higher priority than global ones, implying an acknowledgement that the industrialised countries are the main culprits behind global environmental threats. Even if this is primarily a ranking of environmental goals, it serves to rule out the cancellation of planned development projects on the grounds of their contribution to global environmental ills alone (CO<sub>2</sub> or CFC-emissions, for example). Third, the major goal of recipient responsibility is not very clearcut either in its implications concerning environment- and development trade-offs. It forces, however, Norwegian aid officials to pay strong attention to how recipient governments judge any given conflict between policy goals.

Apart from these very general policy signals, NORAD is not supplied with much guidance from MFA on how to manage difficult trade-off situations. In practice, problems are (naturally enough) pushed down through the system, for aid officials to make the necessary judgements. Environmental assessments are assumed to provide sufficient information about how various problems can be solved and the overall environmental pressures reduced. However, even when all the information has been made available to policy-makers, there is still often no obvious answer to whether a particular project should get the green or red light.

This is the crux of *the environmental standards dilemma*, which was discussed in section 3.1.2. above. The relevant White Papers give scant guidance on what environmental standards should apply to development assistance. As maintained earlier, setting objective standards is probably impossible, and necessarily subjective standards differ significantly, according to for instance affluence level. In simplified terms, the basic question is whether it is the (strict) donor country standards or the (often laxer) recipient country standards that should apply, or whether it is possible to develop some consensus-based middle ground. In the absence of policy guidelines from MFA, NORAD has basically been left to develop its own rules and routines on environmental standards. Specific guidelines have been developed for hydro-power projects,



however, requiring that Norwegian management procedures are adhered to. These guidelines apply to procedures and not the content of decisions on project design, or whether or not a particular dam should be built.

While it is clear that Norwegian standards are not always desirable or even feasible to pursue, there are no answers as to what the alternative should be in these cases. Inadequate guidelines result in an inconsistent practice in NORAD, with ad hoc development of more or less formal guidelines for different types of projects. Hydro-power projects are most strictly required to follow Norwegian procedures. Secondly, industrial projects are in many cases required to adhere to Norwegian emission standards - with economic compensation offered to cover additional costs. For the rest of NORAD's activities, however, there are no guidelines on environmental standards, which leaves the implementing agency in a considerable policy vacuum.

### *3.3.3. The challenge of recipient responsibility*

The goal of recipient responsibility presents aid policy-makers with many difficult dilemmas. On one hand, recipient responsibility is increasingly being stressed as a fundamental requirement in order for aid to succeed in creating sustainable development. The notion of domestic government ownership of aid programmes is the catchphrase of the day, reflecting growing concern over aid dependence and the poor maintenance record of projects once aid officials have left. In Tanzania, for instance, the halving of Norwegian aid between 1990 and 1995 has been basically justified by reference to the inability of the recipient government to manage the considerable aid flows. Increased focus on capacity building and institutional development, as well as improved donor coordination, are logical responses to this challenge, but these are difficult to implement and generally require less financial resources than more traditional aid strategies.

On the other hand, aid agencies are requested by their respective domestic audiences to pursue a range of other goals that may be in conflict with efforts to sustain local ownership in developing countries. In Norway, for instance, the instructions to concentrate the major share of the annual NOK 8 billion aid budget in some of the world's poorest countries is but one restraint facing policy-makers aiming to operationalise the goal of recipient responsibility. Related to this is the challenge of increasing the effectiveness of aid flows, which implies a recurring temptation to use established experts rather than building local capacity. Thirdly, the pressure on donors to pay more attention to cross-sectoral issues like women, human rights, democracy and environment, tends to come from interest groups in Western countries that do not necessarily reflect much on how these issues are ranked by recipient country governments. Finally, there are more indirect conditionalities involved, for instance in the binding of aid



flows to the purchase of donor country goods and services; general industry pressures on donor agencies to support industry and infrastructure projects may also lead donors to ignore the principle of recipient responsibility.

*Environment and recipient responsibility - the dilemmas of green conditionality*

As already indicated, this is a difficult dilemma for those responsible for integrating environmental concerns in development assistance. On one hand, OECD-country governments and multilateral agencies are virtually competing over who can administer the greenest development assistance programme - pressed as they are by continuously greener policy agendas in Western countries. This coincides with the increasing attention paid to recipient responsibility and stimulating developing-country government ownership of aid projects and programmes. There are clear signs, however, not least judging from global environmental negotiations, that governments in poor countries do not fully subscribe to the convictions of green governments in the North. Despite an intensive North/South dialogue during and after the UNCED process, controversies between rich and poor countries over green conditionality were running deeper in 1995 than ever before.

In the international debate, however, the developing world is mainly represented by middle-income countries who often possess the political and financial clout to stand up against some environmental pressures from donors. In poorer countries, including most of Norway's programme countries, the situation is very different. They are generally too impoverished and too dependent on aid to voice strong criticisms of what they may see as misconceived priorities and criteria brought in by donors. It is notoriously difficult at any rate to establish how perceptions differ between donors and recipients, because of the asymmetrical distribution of power between the two parties. Poor governments generally have to accept donor priorities, and adjust their preferences to (green) donor policy signals. Here, as in other policy areas, donor dependence significantly blurs the meaning of recipient responsibility. One example is NORAD-funded hydro-power projects where the licensing decision in practice is made in Washington DC or in Oslo, rather than by the recipient government. In these cases, they are not able to significantly influence the choice of environmental standards. Since the owners of the projects lack real influence on project design, they may easily refrain from taking responsibility in project implementation. This serious dilemma illustrates the need for clearer policy formulation from the Norwegian government (read MFA).

Moreover, there is an indirect but perhaps more important trade-off present in Norway's programme countries: donor choices between high-visibility environmental sector projects (global or local) on one hand, with potentially high political pay-offs in donor countries, and on the other hand lower-visibility poverty-oriented development projects aiming at more efficient resource management in agriculture or forestry. The latter category is generally far



more important to the overall sustainability of a given country's development efforts than are specific environmental measures that may be justified in their own right but are often driven by global or donor-country concerns more than those of the country in question.

In any case, the environmental agenda in programme countries is very much donor-driven. Green conditionality may be less 'visible' than in high-level North/South negotiations, but it is more profound - as long as governments have no realistic option of objecting to the priorities established by donors. Donors provide the overwhelming share of financial resources to the environmental institutions of these countries. Even positions in environmental ministries or similar institutions are often financed directly by donors. On average, more than 50 donor agencies are financing environmental projects and programmes in each country, often with no systematic efforts at coordination. In many cases, there are more resources available than governments are able to absorb, leading donors to go beyond government structures. Domestic environmental NGOs benefit considerably from these trends, and the NGO sector is even more donor-dependent than environmental government institutions. All this adds up rather meagre incentives for recipient governments to generate domestic resources for environmental purposes: they know that green money will flow in, almost irrespective of government performance.

What are then the policy implications of these rather apparent trade-offs between the greening of environmental aid and the stimulation of recipient responsibility? Obviously, awareness and capacity building and policy dialogue are two options to pursue, since success in such efforts will result in increased capacity to manage large and diverse flows of green aid money. This will have to be done in a balanced way, however, to ensure that the emerging institutional structure is rooted in genuine domestic concerns with environmental degradation. Moreover, reflections on how to cope with recipient responsibility in environmental aid should be matched by similar deliberations in other aid areas, since this is a general challenge across all sectors of development assistance.

#### *3.3.4. The environment as one in a (too) wide range of goals*

The integration of environmental concerns is a relatively new goal in Norwegian development assistance. Seen in one way, it is but an element in the recent proliferation of aims and goals to be pursued by policy-makers responsible for the formulation and implementation of Norwegian aid policy. It is a new priority only in the sense that it adds another goal to the existing set of goals in Norway's development assistance. It does not necessarily represent a priority in the more strict sense of establishing a new direction that will substitute for something that has been or will be abandoned. As such, it reflects a harmonious and optimistic view of the potential trade-offs between environmental concerns and other aid policy goals,



leaving it to aid policy-makers in the Ministry of Foreign Affairs (MFA) and NORAD to undertake the necessary policy adjustments.

Some goals often conflict with environmental goals. Other goals, like poverty orientation, concern with the situation of women and children, democracy and human rights, are scarcely in direct conflict with environmental concerns. Many aims may in fact be mutually reinforcing, for instance in that a targeted strategy to reduce indoor pollution will primarily benefit poor women and children. However, the sheer number of aims and goals, combined with the fact that limited resources implies setting priorities also among seemingly non-conflicting goals, still present policymakers as well as field working aid officials with demanding challenges. They can be formulated as follows:

- Given the limited aid resources available, higher priority to environmental questions means less priority to other development assistance goals. There is very little advice in the relevant policy documents on how to determine priorities, however, leaving NORAD officials with a difficult task not normally given to an implementing agency.
- The large number of unranked goals is also a challenge in the actual implementation of aid projects. While general implementation experience suggests that single projects or programmes should not be overburdened with differing goals, the very existence of goals that are not weighed against each other will always invite exploitation by interest groups who want to press Norwegian aid policy as well as individual projects in one particular direction.

It may seem obvious that one cannot pursue the environment, women, children, democracy, poverty orientation, human rights, recipient responsibility and economic growth in every single project. Still, there may be strong pressures from constituencies behind each of these goals who would like to see their favourite concern taken care of in most projects financed by NORAD. Policy-makers and implementing staff face the challenge of balancing between a wide range of unranked goals, recipient priorities and pressures from various interest groups.

### ***3.3.5. Implications for development assistance***

What challenges does the above discussion imply for development assistance to the poorer parts of the developing world?

#### *Poverty alleviation and the environment*

Effective poverty alleviation is good environmental policy. Poverty is the main culprit, forcing people into unsustainable patterns of land use. While economic growth creates serious



environmental pressures in countries like Thailand and China, the main environmental problem in Norway's programme countries is lack of economic development.

#### *Resource management*

The nature of environmental problems in these countries implies that enhanced resource management capabilities in agriculture, forestry, fishery, off farm areas (natural resources on uncultivated areas like wildlife, pastoralism, bee-keeping, and firewood) and in the energy sector should be environmental priority number one. Put simply, what is called for are good - i.e. sustainable - agricultural projects, and not specific environmental projects superimposed on top of agricultural policy. In other words - integration of environmental concerns into basic economic practices and policies. Even though there may be short-term benefits involved, agricultural or forestry projects that harm the environment are generally not good agricultural projects.

#### *Institution building*

Environmental institutions are still very weak in the programme countries, and they are extremely donor-dependent. Although awareness is gradually increasing, the virtually complete donor dominance in the sector represents a structural imbalance that may seriously backfire if sufficient care is not taken to foster domestic ownership for the environmental policy. Environmental capacity- and institution building is crucial: to tackle immediate environmental threats, and even more so to ensure a strong domestic basis for formulating wise environmental policies - especially as countries hopefully grow richer and more difficult trade-offs appear. Concern has to be raised, and capacity built, in a wide range of institutions far beyond the environmental sector as such, including in ministries responsible for long-term planning, finance and the productive sectors. This process of awareness-raising and institution building has to be pursued with the government and other actors in the driver's seat, to ensure enduring domestic motivation for environmentally sound development.

#### *Lack of local ownership in environmental policy*

In light of arguments put forward above, there are reasons to doubt whether the main problem in the environmental policy in the programme countries is lack of money for environmental projects as such. One may even suggest that there are too many uncoordinated activities that together add up to an aggravation of aid dependence in the respective countries rather than stimulating increasing ownership over their environmental sectors. The main challenges remain: first, integration of environmental concerns into basic economic activities in sectors like agriculture, forestry, fishery and energy; and second the build up of capacity to develop domestically founded environmental institutions as well as agendas. Both challenges are difficult and time-consuming, although not necessarily very resource-intensive in financial terms.







## 4. ADMINISTRATION AND MANAGEMENT OF THE ENVIRONMENT IN DEVELOPMENT ASSISTANCE

As chapter 3 has shown, environmental targets are general in nature and in many cases conflict with other policy goals of Norwegian aid. There is a long way to go from general policy formulations to the actual implementation of aid programmes and projects. It is the quality and effectiveness of the process - from overall goals, through strategies, guidelines and procedures, to implementation - that determines the success rate of environmental integration into development assistance. This chapter describes and discusses how this process is organised in Norway.

Conditions for an effective management of the environmental targets in development assistance would generally be:

- Clearcut operationalisation of targets;
- Clear assignment of responsibilities;
- Meaningful guidelines at programme and project levels;
- A strategy for implementation;
- A system for quality control;
- Well-trained staff;
- A supportive system for internal learning from experience within the aid administration, in order to further develop the quality of process and output (MFA, 1983).

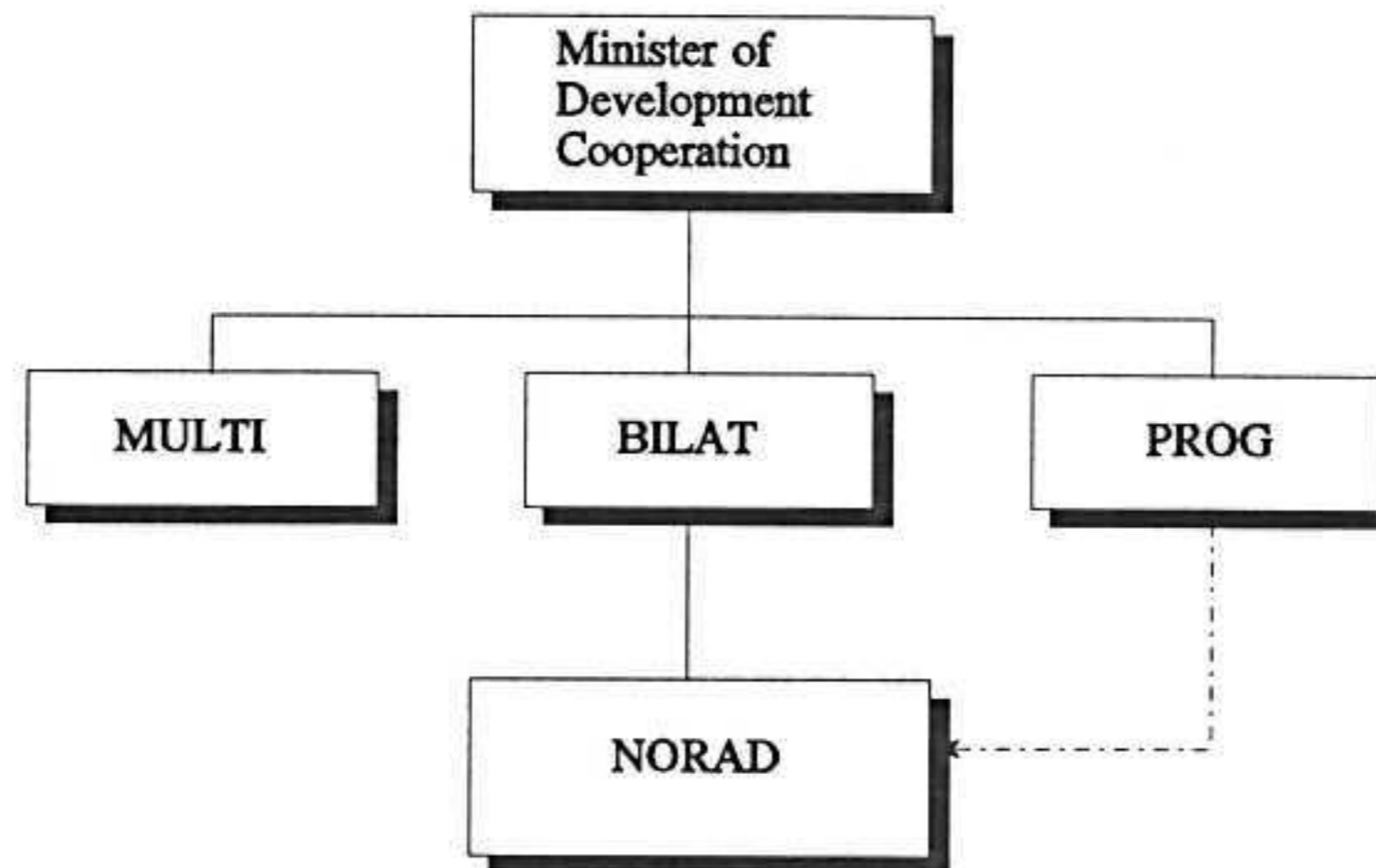
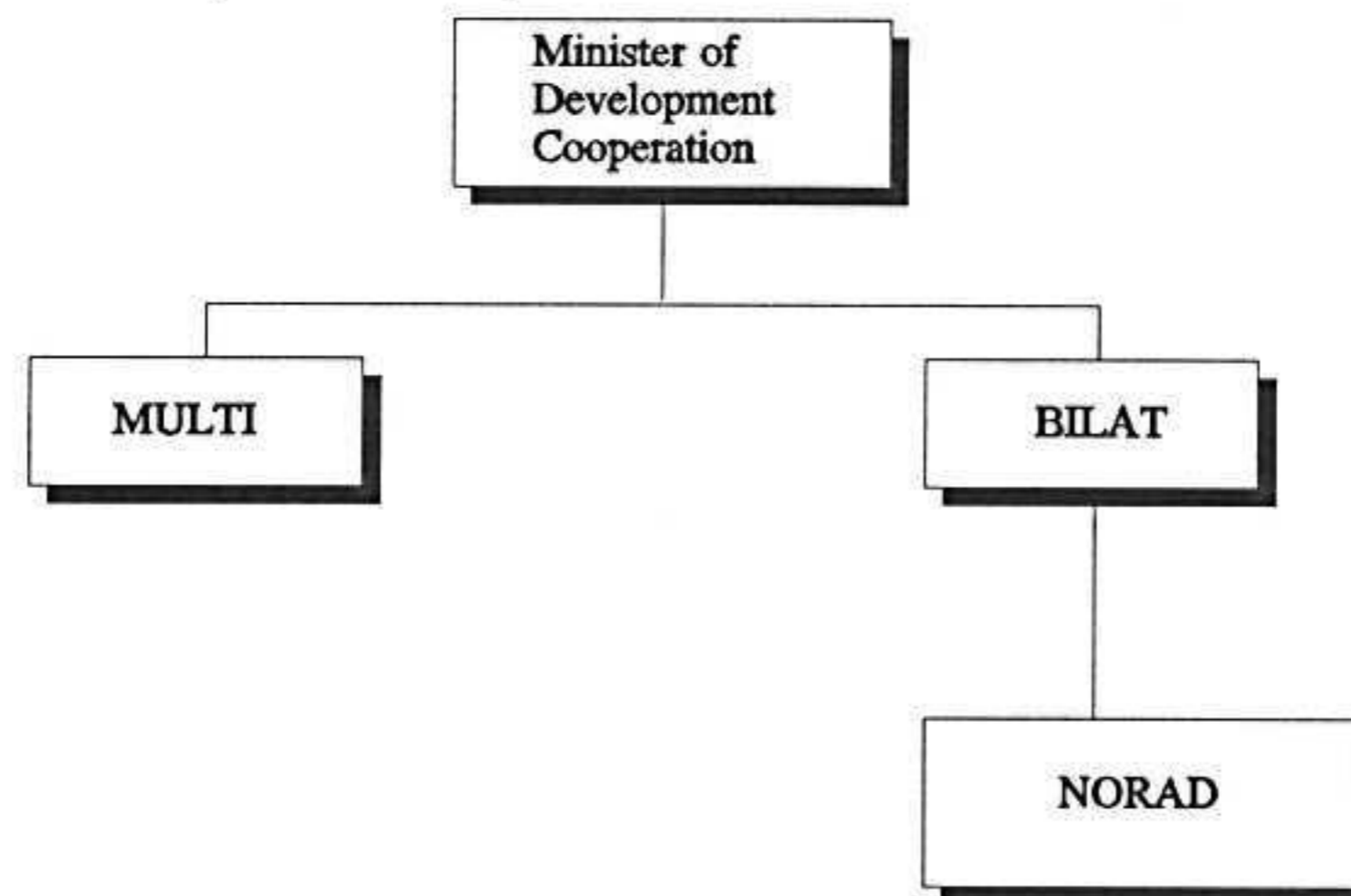
This chapter assesses to what extent these conditions are met in the Norwegian management of development assistance.

### 4.1. Organisation of Norway's Ministry of Foreign Affairs (MFA)

The Minister for Development Cooperation has the political responsibility for Norwegian development assistance. Within the Ministry of Foreign Affairs, the Minister has since the reorganisation of May 1995 two departments under her purview - the Department for Bilateral Development Cooperation (BILAT), and the Department for Multilateral Development Cooperation (MULTI). Prior to May 1995, there was also a third Department for Development Cooperation Programmes (PROG). The Environment Unit was previously located in PROG, but is now part of BILAT. In addition the Resources Department, which is under the Minister for Foreign Affairs, is responsible for global environmental issues, including the Global Environmental Facility (GEF).

Figures 3 and 4 illustrate the difference between the previous and the new organisational structure:



**Figure 3** *Organisation of the development assistance administration 1990-1995***Figure 4** *Organisation of the development assistance administration 1995*

BILAT has main responsibility for formulating bilateral aid policy, which includes direction and supervision of NORAD's activities. This involves approving objectives and strategies in the country programme process, as well as guidance and following results.

PROG was responsible for cross-sectoral issues in Norwegian aid, like the environment, gender, democracy, human rights and socio-cultural conditions. A separate research and evaluation unit was assigned to improve aid relevance and effectiveness.

PROG had a separate Environment Unit employing two advisors. The unit was responsible for the elaboration of policies, objectives and strategies for environmental integration in development assistance, and for promoting the understanding of environmental issues within the Ministry. The Unit was moreover assigned the task of coordinating the preparation and follow-up of the UNCED conference within the aid administration. Participation in the Environment Section of OECD's Development Assistance Committee (DAC) was also an



important task, as was the elaboration of guidelines and administering the use of the Special Grant for the Environment and Development. Gradually the unit became less involved in management of specific projects financed by the special grant, and somewhat more in general policy issues, reflecting a decision to move project management of the grant to MULTI and NORAD. Those employed in the unit include both natural and social scientists, agricultural experts and economists.

The relationship between PROG and BILAT has been somewhat unclear, which may explain in part why they were merged in May 1995. While BILAT was responsible for supervising NORAD's environmental performance, the professional competence to do so lay in PROG. PROG was thus meant to give policy advice and supervise NORAD's environmental activities through BILAT, and BILAT was assumed to seek PROG's environmental advice when needed. Over time, PROG often related more or less directly to NORAD, which contributed to a rather complex system of communication between NORAD and MFA.

## **2 Reorganization of the development assistance administration**

The administration of Norwegian development assistance has been reorganised several times:

- Until 1984, NORAD was a directorate under MFA;
- In 1984, a separate Ministry for Development Cooperation (MDC) was set up, with NORAD as an "internal directorate" within MDC. Responsibility for overall policy and strategy work as well as evaluations was located in the Planning Department (PLAN).
- In 1989 NORAD was reorganized, and became an external directorate again. At the same time the Ministry for Development Cooperation was subsumed under the Ministry of Foreign Affairs, but with its own Minister for Development Cooperation. Between 1989 and early 1995, this new part of the MFA consisted of three departments: BILAT, PROG and MULTI.
- In May 1995, PROG was subsumed under BILAT, and both BILAT and MULTI underwent several internal reorganising measures.



## 4.2. MFA's operationalisation of environmental goals in development assistance

### 4.2.1. Policy guidelines

The MFA has provided policy directions for NORAD's implementation of environmental goals in the following ways:

- Through policy and strategy documents (MFA, 1980, 1986, and 1993)
- Through country studies and analyses (between 1986 and 1990), and strategies (since 1990)
- Through instructions for the formulation of country programmes and regional grants
- Through approval of guidelines for the Special Grant for the Environment and Development
- Through the approval of guidelines for the NGOs, Volunteers and Cultural Affairs Department (PFK) and the Industrial Development Department (I&N)
- Through annual budget letters
- Through various more informal contact channels
- Through decisions on projects that raise questions of principle character or are politically sensitive

### 4.2.2. Environmental strategies

#### *Early strategy work*

In 1980 the Ministry of the Environment (ME) and NORAD developed a first study with recommendations for integration of environmental concerns in development assistance, including environmental assessment (EA) routines: 'Development Assistance and Ecology' (MFA, 1980). A joint Nordic Working Group on the Environment and Development Assistance was set up in 1981 by a Joint Nordic Committee of Senior Officials for Development Assistance Questions. Its TOR were to review the inter-relationship between the environment and development and to recommend measures to improve the integration of environmental concerns into the development assistance of the respective countries. The group issued a report in 1982 (NU 1982:9 - Miljø och bistånd).



The Special Grant for the Environment and Development was then established in 1984, within the new Ministry for Development Cooperation (MDC) (see page 67 for further details).

In 1986 a Contact Committee consisting of representatives from MDC and ME presented a strategy document called 'Environmental Protection and Development Assistance -A Strategy for Norwegian Environmental Protection Work in Developing Countries'. This rather comprehensive document suggested the following goals and measures to guide environmental aid policies:

- Integration of environmental concerns in projects with potential ecological impacts.
- Systematic use of environmental assessments (EAs).
- High priority to natural resource management in all relevant development programmes and projects, and development of special programmes and projects aimed at improved management of natural resources.
- Improvement of the environmental competence of the staff in MDC and NORAD, as well as in relevant external institutions.

Cooperation between the various ministries and other public or private institutions with relevant expertise was stressed. It was suggested that the strategy be followed up through the ordinary planning process in MDC, and through special action plans.

Several elements of this strategy were followed up throughout the late 1980s and early 1990s. In 1986 MDC started elaboration of a system for environmental assessments. The first manual was completed in 1988. The status of the 1986 strategy document is unclear, however; it does not seem to have been widely applied as an action-oriented strategy.

#### *UNCED follow-up*

In 1993 the environmental unit in MFA produced the report 'Norwegian Development Cooperation: Follow-up of the UN Conference on Environment and Development' (MFA, 1993 a). This report concentrates on the overall environmental problems facing developing countries. The new strategy document provides little additional guidance on how to include environmental concerns in Norway's development assistance, however. It is explicitly stated that the different units in the development assistance administration are responsible for integrating those guidelines in Agenda 21 which are relevant for their activities. In addition to Agenda 21, several other mechanisms for integration of environmental concerns are listed: the World Bank National Environmental Action Plans (NEAPs) and Operational Directives



(ODs); and "Guidelines on Environment and Aid" from OECD/DAC. Furthermore, reference is made to the requirement of EAs of all projects formulated in Norwegian White Papers. The general impression is thus that the strategy document basically refers to general guidelines in existing documents, without presenting any operationalisation directed towards project implementation in the various channels for Norway's development assistance.

The sectors given priority in the document are similar to those listed in White Paper no.51 (1991-92). The document suggests some measures for strengthening the primary sector and development of small industries in connection to this sector. Measures in other sectors are not specified.

#### *4.2.3. Environmental policy in country studies and strategies*

##### *Country studies*

During the period 1986 - 1990, MFA/MDC commissioned separate country studies for the main programme countries of Norway's development cooperation. These studies were carried out by independent consultants or researchers, and not officially approved by the Ministry. Thus, they were not policy documents, but meant to serve as background information for the development of country analyses and programmes by MFA and NORAD.

Environmental concerns are discussed in most of these studies, although the scope and quality of the environmental analysis vary significantly. Generally, they provide a descriptive overview of environmental issues, but present few recommendations for how Norwegian aid could be designed to improve the environmental situation.

##### *Country analyses*

On the basis of the country studies, MDC developed their own analyses of the main programme countries in the same period (1986-1990). These studies were intended to work as policy tools for the Norway's development assistance administration and its programme countries. The lack of systematic environmental analysis in the country studies is also reflected here. A general impression is that these analyses were not very actively used in the relevant parts of the aid administration, and that they thus have had little influence on the integration of environmental issues into development assistance.

##### *Country strategies*

Since 1990, the MFA has started developing strategies for Norway's overall development cooperation with each programme country. These strategies, which cover a time period of 3-4 years, are written by BILAT with input from NORAD. They are currently the most important policy documents concerning aid to specific countries. A strategy can also be reviewed before



the time period expires, if the basis for the strategy changes. As of August 1995, strategies for Botswana, Nicaragua, Tanzania and Zambia have been completed.

The strategies establish goals for aid to the country in question, and also present guidelines for the channels of Norwegian assistance. The main focus is on the Country Programme, and the strategies provide quite clear priorities for the various aid channels. As showed in the box below, the scope and quality of their environmental analysis still vary, but the strategies are generally an improvement over the country studies- and analyses. Some also give directions for the use of the Special Grant for the Environment and Development.



### 3 Environmental concerns in country strategies

- *Tanzania.* Environmental issues are treated quite comprehensively, with a focus on the need to develop an overall environmental policy in the country. Thus, capacity- and institution-building is given high priority. The document also recommends a review of some activities currently supported by Norwegian development assistance, and presents clear goals for further activities. The strategy represents a good policy basis for the integration of environmental concerns in Norwegian aid to Tanzania.
- *Zambia.* This strategy document identifies poverty and increasing environmental problems caused by urbanisation and natural resource depletion as some of the country's main problems. It focuses on the development of institutions and competence within environmental and resource management, and states that environmental issues should be a core issue in Norway's development assistance to Zambia. However, the strategy is less detailed and concrete when it comes to recommendations on sector and project level.
- *Botswana.* Environmental challenges are discussed in this strategy document, although not as comprehensively as in the country strategies for Tanzania and Zambia. Ecologically sustainable development is presented as one of five important areas where the country is facing special challenges. Some areas for possible cooperation in the environmental field are presented, like competence building, support to the implementation of Botswana's National Conservation Strategy, NGO support and cooperation in the energy sector.
- *Nicaragua.* The contribution to an ecological management of natural resources is one of four main goals in this strategy, and environmental challenges are given a rather comprehensive presentation. However, the document focuses on historical patterns and the present situation, and presents few specific recommendations on how Norwegian development assistance should be designed to implement the environmental goals for Nicaragua.

#### 4.2.4. The annual budget letter

In the beginning of each year MFA transmits a budget letter to NORAD. These are often supplemented with new budget letters within the same year, for instance when the Parliament makes new budget decisions. The budget letters give instructions for NORAD's allocation of funds, and for other policy matters and priorities. Except for some instructions concerning the



Special Grant for the Environment and Development, they contain few instructions regarding the priority of environmental aspects. However, the most recent budget letters underline that the environmental recommendations in the country strategies should be followed up. Some instructions are also given for specific aid channels. An example of this is the budget letter for 1995, which states that environmental projects should be given priority in the allocation of mixed credits to China and other Asian countries.

### **4.3. Relations between the ministerial level and NORAD**

#### **4.3.1. MFA and NORAD**

In theory there is a clear distinction between MFA's responsibility for defining policies and strategies, and NORAD's responsibility for implementation. In practice however, the division of labour is not so clear. The Ministry has been directly involved in operational activities through the use of the Special Grant for the Environment and Development and through decisions on individual projects in the different channels. NORAD, on the other hand, has to a large extent formulated policies and strategies.

Historically, NORAD's work was considered to be of a more technical than political character. As a result, NORAD was given a rather free hand in implementing Norwegian bilateral development assistance, and therefore also in the interpretation of the political objectives adopted by Parliament.

Simultaneously, fundamental changes at the ministerial level have affected the relationship between the Ministry and NORAD. Lack of continuity at the ministerial level has not reduced NORAD's independence, but rather to the contrary: it has confirmed NORAD's independent role. Thus, NORAD has increasingly developed its own strategies when that has been seen necessary. This has been the case in the environmental field.

For several years the Directors General of the development assistance departments in MFA and NORAD met regularly (so called 'Tuesday meetings') to discuss current questions. There have also been other meetings on special issues and more informal encounters to discuss current activities. In addition, a contact group between MFA and NORAD on environmental matters have been in function for several years. Bilateral contacts between units and staff in MFA and NORAD on environmental issues have also been frequent. The necessary formal and informal channels for contact and instruction from MFA to NORAD in the environmental area thus exist.



However, there has been a lack of coordination between the relevant units, resulting in different and often unclear status for policy signals conveyed to NORAD over the years. As mentioned earlier, the division of responsibilities between BILAT and PROG has not been clear enough, which again has caused problems in the environmental field. The competence and level of activity on environmental issues in BILAT has generally been quite limited, as this responsibility rested in PROG.

The environmental activities in PROG were to a large extent linked to the management of the Special Grant for the Environment and Development and other day-to-day activities, and were only to a limited - although slowly increasing - degree devoted to the development of general policies and strategies. Furthermore, PROG was not used extensively by BILAT to provide advice on environmental matters. Finally, PROG was generally too removed from NORAD's operational activities, with limited knowledge of how environmental issues were followed up. Thus, PROG did not fulfil its intended strategic environmental role.

After the dissolution of PROG in May 1995, the responsibility for policy and strategy development (including environment) was moved to BILAT. This has brought the environment unit more directly into the line of command between the Minister of Development Cooperation and NORAD. The lines of command and responsibility for the administration of Norway's bilateral aid have consequently become clearer. The new structure should imply a more coherent governance of NORAD. However, it is somewhat uncertain how much professional competence BILAT will have in areas such as the environment, and this in turn will affect BILAT's ability to influence and guide NORAD.

#### ***4.3.2. MFA/NORAD and the Ministry of the Environment***

##### *Interministerial cooperation*

Before the mid-1980s, there were only sporadic contacts between MFA/MDC and ME. With the establishment of the Contact Committee for Bilateral Development Assistance in 1984, in which the two ministries and NORAD participate, this cooperation was formalised. The Contact Committee was established to follow up the overall goal of integrating environmental concerns in Norwegian development assistance - as set out in White Paper No. 36 (1984-85). An important task for the Committee was to develop an environmental strategy document, as referred to in section 4.3. However, much of the practical work in the Committee was concentrated on single projects. Originally the Committee considered all environmentally relevant projects of more than NOK 1 mill. However, many projects were designed to be smaller than the limit of NOK 1 mill., partly in order to cut through time-consuming bureaucratic routines - and partly, perhaps, to avoid ME involvement.



After some passive years, the Committee was reactivated in 1992 and one year later provided with a new mandate. The Committee is now to address the overall questions of how Norway can contribute to sustainable development in poor countries, with the management of natural resources as an important priority. More specific tasks are assessment of relevant principles and strategies; the handling of "problem-projects"; cooperation and framework agreements with national and international environmental institutions; and UNCED follow-up in the development assistance administration. In 1994, it established a working group to report on how experience and competence within the Norwegian environmental administration could be used more systematically in development assistance.

At present, the Committee consists of representatives from BILAT and MULTI, the MFA Resource Department, ME and NORAD. Its work now seems more policy-oriented than in the 1980s, although individual projects are still on the agenda. Previously, the distribution of funds like the Special Grant for the Environment and Development was a matter of conflict between Committee members, while such conflicts seem to be much rarer today.

Over the last few years, the Minister of Development Cooperation and the Minister of the Environment have also met regularly every six months to exchange information and discuss important policy questions and controversial issues. Furthermore, the State Secretaries Committee for the Environment meets once a month, and deals with issues related to environmental concerns in development assistance. This Committee plays an important role in the process of preparing a White Paper on the 1995 report of the independent Aid Commission.

#### *Cooperation with other directorates and institutions*

Since the early 1990s NORAD has had framework agreements with the Directorate for Nature Management (DN), the State Pollution Control Authority (SFT), the Norwegian Water Resources and Energy Administration (NVE), the Norwegian Mapping Authority, the Norwegian Forestry Society, the Norwegian Marine Research Institute and NORAGRIC. Recently an agreement has been signed with the Central Office of Historic Monuments. An agreement with Statistics Norway also contains a minor section on the environment. Besides these framework agreements, NORAD also draws on the competence of various environmental research institutions.

The basic purpose of these agreements has been to use the institutions as advisors on environmental issues, in order to ensure sound environmental performance. The research institutions have mainly been used for the assessment of single projects, and have rarely been used as advisors in the development of environmental strategies and guidelines. One exception is the development of procedures for Environmental Assessments (EAs). Recently, these



institutions have also been encouraged to develop contacts with 'sister organisations' and in so doing build up institutional capacity in Norway's programme countries.

The general view of these environmental research institutions seems to be that cooperation with NORAD functions well, reflecting improved routines and a gradually increasing level of contact between NORAD and relevant external actors. Some institutions maintain that NORAD could use them more frequently, and that they should also be used as advisors in the development of policy guidelines - for instance in country programming activities and in the write-up of country strategies.

The cooperation agreements with external environmental institutions significantly strengthen NORAD's overall expertise in this area. They represent a flexible and cost-effective alternative to the development of similar competence within NORAD.

#### **4.4. NORAD's organisational structure**

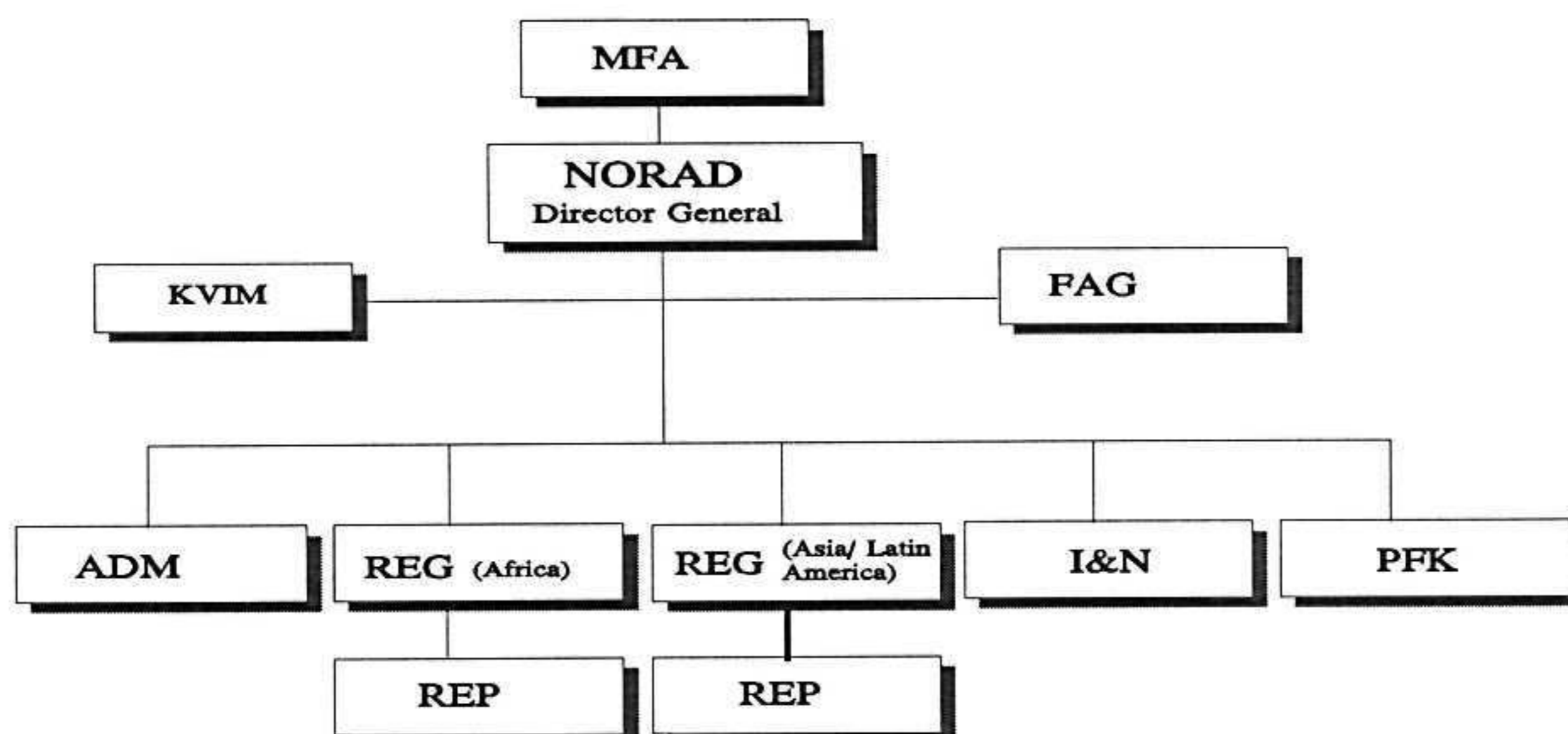
NORAD is responsible for the planning and administration of Norwegian bilateral aid according to prevailing principles, strategies and instructions. As of 1995, the organisation has a total staff of about 300. 220 employees work in the central administration in Oslo, with the remaining 70 to 80 people staffing local representations. The agency has undergone a major reorganisation in 1995. The organisational structure before the reorganisation is explained in section 4.5.1., and the new model in section 4.5.2.

##### **4.4.1. Former structure**

NORAD's organisational structure has largely been determined by the three main channels for Norwegian bilateral aid: state-to-state cooperation, non-governmental organisations and industrial cooperation.



Figure 5 NORAD's former organisational structure



#### *Regional Departments (REG)*

The two regional departments were divided into Africa and Asia/Latin America, with overall responsibility for bilateral aid in their respective regions. They had the main operative responsibility in NORAD and handled the funds allocated over the Country and Regional Programmes. REG were thus responsible for the operation and organisation of the local representations in Norwegian programme countries. The two departments were sub-divided into country offices which carried out staff functions for the Regional Directors and the resident representatives.

REG was likewise responsible for the ongoing cooperation with the Foreign Ministry, and was thus the main coordinating agency within NORAD. Finally, REG was responsible for NORAD's contributions to the development of country strategies, regional sector strategies and interdisciplinary strategies.

#### *Resident Representatives (REP)*

The recent reorganisation has had few direct consequences for resident representatives. They still handle the daily dialogue with recipients. Throughout the past decade, an increasing number of tasks have been delegated to the local embassies. REPs are responsible for presenting Country Programme drafts as well as other strategy work, including country-specific plans for the many special grants. The plans are approved by the Regional Departments in Oslo. Resident Representatives also write appraisals of single projects, and drafts to appropriation documents. They thus hold a central role in both overall planning activity as well as in planning and implementation of single projects.



All funding over Country and Regional Programmes must be approved by the head of REG. However, there are several budget posts where fund-allocating authority is delegated to local representatives. These are the special grants for environment, women, culture, aids, NGOs, education and training support, and some administrative measures.

*Department of NGOs, Volunteers and Cultural Co-operation (PFK)*

As indicated by the name, this department was responsible for planning, coordination and administration of Norway's development assistance channelled through international, Norwegian and local non-governmental organisations. In addition, PFK also managed the Volunteers Service and NORAD's cultural cooperation. Whereas the divisions for Volunteers Service and cultural cooperation implemented their own projects, the NGO division only administered the allocation of funds to NGOs and thus had no implementing responsibility.

*Industrial Development Department (I&N)*

The Industrial Development Department administers development assistance channelled through Norwegian industry, and has been only marginally influenced by the 1995 reorganisation. Like the NGO Division (and in contrast to the Regional Departments), I&N is not responsible for implementing its own projects. The department has three divisions: Africa, Asia/ Latin-America, and Global (all areas outside the other two). The I&N budget was almost doubled between 1993 and 1994, when it amounted to NOK 457 million. A more detailed description of the internal procedures in PFK and I&N will be provided in chapter five.

*The Technical Department (FAG)*

The Technical Department had an advisory capacity towards all other departments. FAG was instructed to maintain a general overview of Norwegian aid performance in the various sectors, and to develop general sector strategies. The various functions of FAG (advice, evaluations, supervision of ongoing activities, and development of country or regional sector strategies) were to be provided only upon request from other units within NORAD. The Ministry of Foreign Affairs could also request advice concerning global issues, cooperation with multilateral institutions and multilateral aid.

The department had the following five divisions:

- Nature- and resource management (NATR)
- Energy and maritime transport (ES)
- Infrastructure (IFRA)
- Health (HEE)
- Education and institutional development (UTD)



The Division for Nature and Resource Management was responsible for environmental issues within FAG and had two environmental advisors. With ten employees, NATR was the largest division in FAG, and functioned as expert agency for agriculture, forestry, fisheries, rural development and the environment.

*The Advisory Group to the Director General on Women, Environmental Affairs, Democracy and Human Rights (KVIM)*

KVIM, established in 1989, included one environmental advisor who reported directly to the Director General. The main task of the advisor was to ensure that environmental goals and principles were adhered to in NORAD's activities. Potential deviances were to be reported to the Director. The advisor was to be kept informed about all relevant aid activities, and could also launch environmental initiatives affecting other departments. Notwithstanding these formal channels of advice and influence, the advisor's actual authority was limited. This position was situated outside the regular line of command, and the advisor could evaluate individual projects only if requested by the Director.

Up till 1995 NORAD's organisational structure was thus built around a direct line of command from the Director General, through the Regional Departments, and to the Resident Representatives. Other departments or units with specific professional responsibilities did not have decision-making authority over individual projects. This ensured that there were no uncertainties (at least in principle) as to which unit was responsible for the decisions made. The technical offices offered advice upon request from operational units.

#### **4.4.2. New structure**

The latest reorganisation of NORAD is to be implemented as of 1 September 1995. Its main rationale is to enable better coordination of the various grants and goals applying to the respective programme countries. Another objective is to integrate relevant Norwegian institutions more closely in aid activities through increased institutional cooperation with counterparts in the recipient countries. The following changes have been suggested (and still subject to negotiation within NORAD as of 15 August 1995):

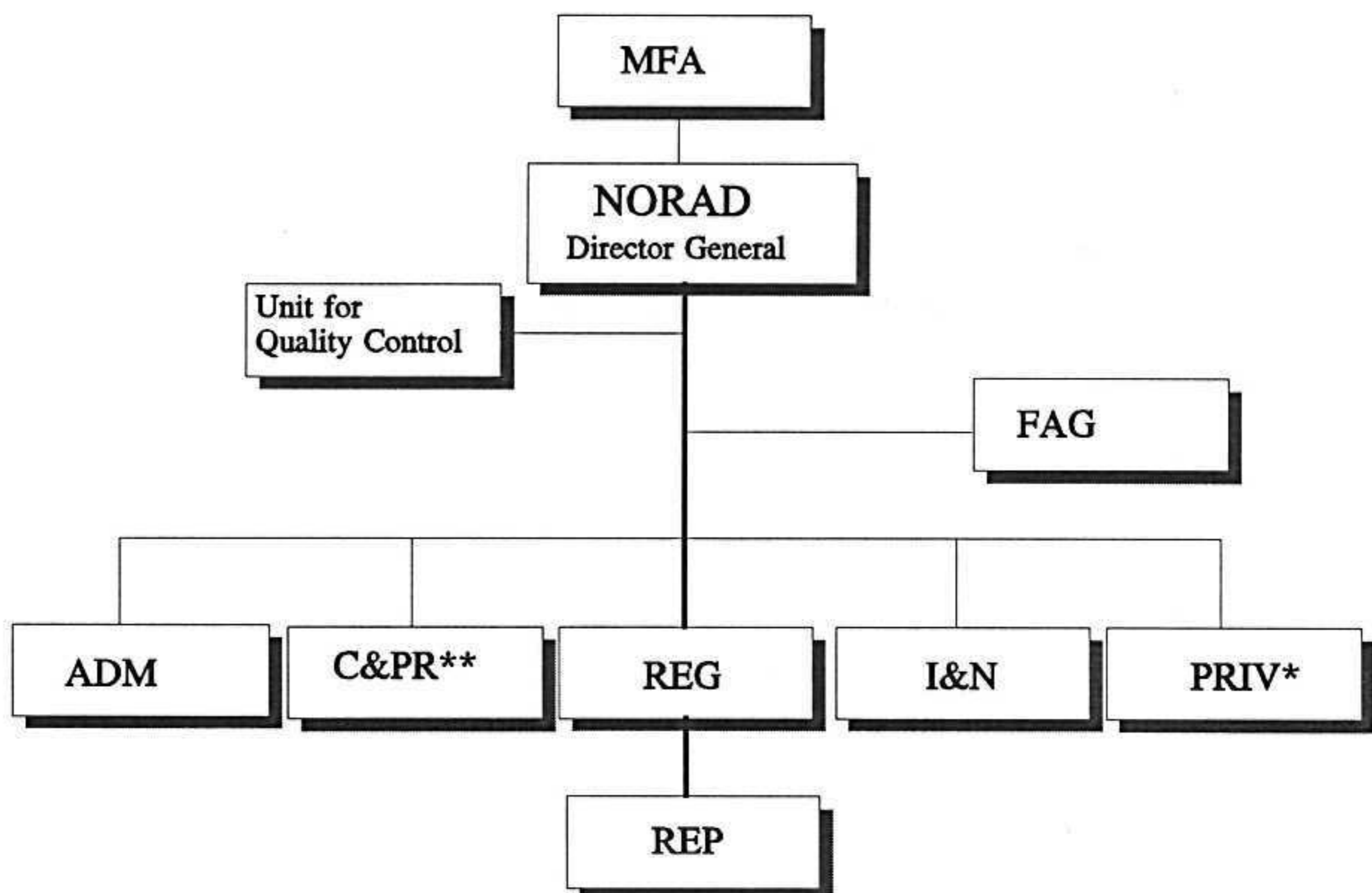
- The two Regional Departments are merged into one department, and sub-divided into three geographical sections.
- Technical expertise is regrouped in the new Technical Department. This means that KVIM is dissolved, and the advisory role of the Department for Industrial Development and the NGO Department is transferred to FAG. Furthermore, all existing divisions of FAG are dissolved, and the new department is divided into three: one division for sustainable



economic growth; one for human resources, institutions and democracy; and one administrative division. The division for sustainable economic growth is assumed to include three or four environmental advisors. All of NORAD's environmental expertise is thus to be grouped within the same organisational unit.

- A new Quality Control Division (*Resultatsoppfølgingsenheten - RO*) is established directly under the Director. The main duty of the unit is to supervise NORAD performance on all levels of implementation. It is also mandated to offer advice on measures for improving performance. If requested by the unit in question, RO may also supervise how its suggestions are followed up. As further elaborated below, the quality control division may come to play an important role in efforts to improve NORAD's environmental performance.

**Figure 6** *Proposed new organisational structure in NORAD*



\* The previous PFK is to be renamed Department for Private Organisations (PRIV)

\*\* Department for Culture and Public Relations

This reorganisation addresses several of the problems identified throughout this evaluation, of which the establishment of a division for quality control is among the most important. Even



if check-lists for environmental evaluations have been distributed and applied, no one has been responsible for their implementation and follow up. The same applies for the implementation of environmental assessments. There is no systematic overview within NORAD of the extent to which the relevant measures have been properly implemented. This situation presents the new Quality Control Division with a difficult but important challenge.

The previous division of NORAD's environmental expertise in two separate departments (FAG and KVIM) did not work very well, as their respective roles and responsibilities were not clearly defined. The dissolution of KVIM means that the environmental expertise is now to be concentrated in one unit. This should reduce the confusion over responsibilities, and present other parts of the system with an environmental advice and control function that is easier to understand.

In connection with the reorganisation process, FAG was subjected to an internal evaluation. The main weakness identified was not lack of accessible expert advice, but insufficient internal coordination. FAG was not always able to provide unified answers to requests from other departments. The evaluation also showed that internal communication was concentrated within, rather than flowing across, the separate divisions. These problems were probably due partly to the internal organisation of FAG, where for instance environmental expertise was separated from sectors like energy and infrastructure, even though these handle projects with significant environmental impacts. In the new organisational structure, environmental management is placed in the same division as energy, infrastructure and agriculture. This will, it is hoped, improve communication patterns and ensure more effective integration of environmental concerns in development projects.

## **4.5. NORAD's operationalisation of environmental goals**

### **4.5.1. *General strategies for development assistance***

In 1990 NORAD published the document 'Strategies for development assistance - NORAD in the 1990s'. The main purpose was to formulate operational guidelines for Norway's development assistance, and to discuss NORAD's role in bilateral development assistance within the policy guidelines set by MFA and endorsed by the Parliament. The new NORAD strategies resulted in a discussion between NORAD and MFA regarding division of responsibilities. In 1994 it was decided that MFA should develop "strategies" for the different activities, and NORAD should develop "guidelines" based on these strategies.

A main goal listed in the strategy is to promote 'sustainable development'. The document maintains that further economic growth and social prosperity in developing countries are



endangered if the natural resource base is destroyed. Therefore, development assistance should put greater emphasis on sustainable resource management. The interaction between environment, economic growth and distribution of income is given considerable attention, and the strategy acknowledges that there are no simple choices between assistance to promote economic growth, the environment or reduction of poverty. Aid must be designed according to specific circumstances, and the profile of aid policies will thus vary between and even within countries.

In 1992 NORAD published 'Strategies for bilateral development assistance - part II' as a follow up to White Paper No. 51 (1991-92). In addition to further elaborating the main goals from part I, it was stated that environmental concerns and a sustainable resource management are to penetrate all channels in Norwegian development assistance. This means:

- Ecological factors and limits should be considered in all production systems
- Over-exploitation of different forms of natural capital should be avoided
- Pollution that can lead to serious ecological damage and hazards to human health should be avoided
- Destruction of ecosystems which may reduce biological diversity, biological production or human living conditions should not occur.

These factors are to be considered in all cooperation with recipient countries. When there is a threat of serious or irreversible damage of ecosystems, environmental concerns should be given high priority in the decision-making process.

Important implementing measures are:

- Participating in discussions of environmental policy guidelines with relevant authorities and institutions, ensuring that necessary environmental concerns are taken into consideration in current and planned activities.
- Supporting activities and pilot projects that are environmentally benign.
- Supporting the development and transfer of environmentally benign technology based on solutions adjusted to local traditions, resources and social conditions.
- Supporting the development of environmental knowledge and institutions, and cooperation between institutions in Norway and partner countries.
- Supporting environment-related information activities.



Environmental assessments are to be conducted of all ongoing activities, and prior to the implementation of new activities. The sophistication of the environmental assessments is to reflect the level of anticipated impacts. Environmental concerns are to be promoted in all aid channels. The main channel is the country programmes, which in addition to specific environmental activities shall ensure that environmental concerns influence all relevant programmes. Environmental activities are also to be given priority through the NGO and Volunteer Service channels.

These two strategy documents represent a robust starting point for further policy development. They provide a relevant discussion of the challenges faced by NORAD in efforts to incorporate environmental goals into development assistance. The recommendations presented are broad overall guidelines for NORAD's operations, applying to general environmental integration as well as specific environmental projects.

#### **4.5.2. *Developing an environmental strategy***

NORAD has since 1991 attempted to develop an environmental strategy. During this process, several turf battles have been fought between NORAD and MFA over what specific role each body is to have. MFA (the Environmental Unit) feels that it should be responsible for strategy formulation, while NORAD's task would be to operationalise these strategies. The latest White Paper (1992) also explicitly requests that an environmental strategy be developed by the government. However, the Ministry had not presented any environmental strategy since 1986 (except from the rather general UNCED follow-up document in 1993), leaving NORAD with a policy vacuum, given the very general nature of policy signals in the various White Papers. In 1994, agreement was reached on renaming NORAD's strategies as *operational guidelines*, thus leaving MFA with the responsibility to formulate strategies. To what extent this reflects a substantive consensus on the division of labour between the two institutions, is another matter.

An draft NORAD document on environmental guidelines (known as environmental strategy until the autumn of 1994) require all projects to be in line with national development plans, including national conservation strategies and national environmental action plans. Support for the preparation of such national plans and strategies is indicated as a likely priority area for NORAD, as is support for the development of environmental laws and regulations and capacity building in government as well as independent institutions. This draft has still not been completed or approved by NORAD nor the MFA; and apart from the very general 1993 post-UNCED strategy document, no attempt has yet been made by MFA to develop an environmental strategy. Accordingly, in the absence of policy guidance from MFA, it is NORAD that currently takes care of strategy development. In April 1995, NORAD initiated



a process towards an environmental strategy document, which already have been subject to an internal NORAD hearing. However, as of September 1995, it is unclear where the overall strategy work is headed, and how the practical responsibilities will be divided between MFA and NORAD - not least given the major reorganisations of both institutions. In chapter 6, this report presents several proposals for how to proceed in work on an environmental strategy for Norway's development assistance.

#### *4.5.3. Environmental Action Plans (EAP)*

White Paper No. 51 (1991-92) states that Environmental Action Plans (EAPs) are to be developed by NORAD for each programme country. Such plans are to contain a description of the environmental situation in the respective countries and a coordinated policy with listed priorities agreed to by the national governments.

Some attempts have been made to develop such plans:

- "Environmental study of Sri Lanka" (NORAD, 1989 a)
- "EAP for Botswana" (NORAD, 1993)
- "A Background Study For NORAD's Environmental Action Plan in Pakistan" (CICERO and SHIRKAT GAH (1992))
- "Environmental Aspects of Norwegian Assistance to Kenya - Strategy Paper and Action Plan" (NORAD, 1989 b).
- "Environmental strategy for NORAD in Bangladesh" (Scanteam International A/S, 1990).
- "Environmental Profile for Tanzania" (Norconsult, 1992)

Most of these plans are rather broad and not very focused descriptions of the environmental situation in the country. With some exceptions - most notably so the Sri Lanka study - few attempts are made to set priorities that can function as real policy guidance for NORAD officials. The environmental study of Sri Lanka, by contrast, went a long way in this direction, and in fact constituted a piece of pioneer work that put Norway at the forefront in donor contributions to environmental aid to that country.

Some REPs have made efforts to prepare Environmental Action Plans as required in White Paper No. 51 (1991-92). Neither MFA nor NORAD have required the preparation of such



plans, so it has been left to the REPs to decide how to handle this policy signal. The rationale of requesting such plans can be questioned, however, since the preparation of National Environmental Action Plans (NEAPs) is well integrated in the multilateral development assistance system. In addition, many countries are working out specific Agenda 21 follow-up plans. In chapter 6, this report offers some proposals for organising Norwegian strategy work in this area so as to avoid unnecessary overlap with existing domestic and international activities.

## **4.6. Administrative procedures**

### ***4.6.1. Environmental concerns in general procedures***

#### *Activity Planning*

The central tool in NORAD's operations is the Activity Plan (*Virksomhetsplanen*), an annual process closely linked budget procedures in the Parliament. On the basis of tentative allocations, all NORAD departments develop detailed individual plans for the coming year. The point of departure for this process in NORAD is the country strategy formulated by the MFA. The Activity Plan is assumed to cover development assistance through all channels to the country in question. It establishes goals for the different activities and indicators for the fulfilment of these goals. The plan specifies general frameworks and directions for NORAD activities, and is the basis for decisions made on single projects. Furthermore, the plan contains a report on aid performance in the previous year, based on a brief evaluation of the sustainability and goal achievements of the activities covered. An activity plan for the current year then follows. Environmental concerns are to be taken care of in all relevant parts of the plan.

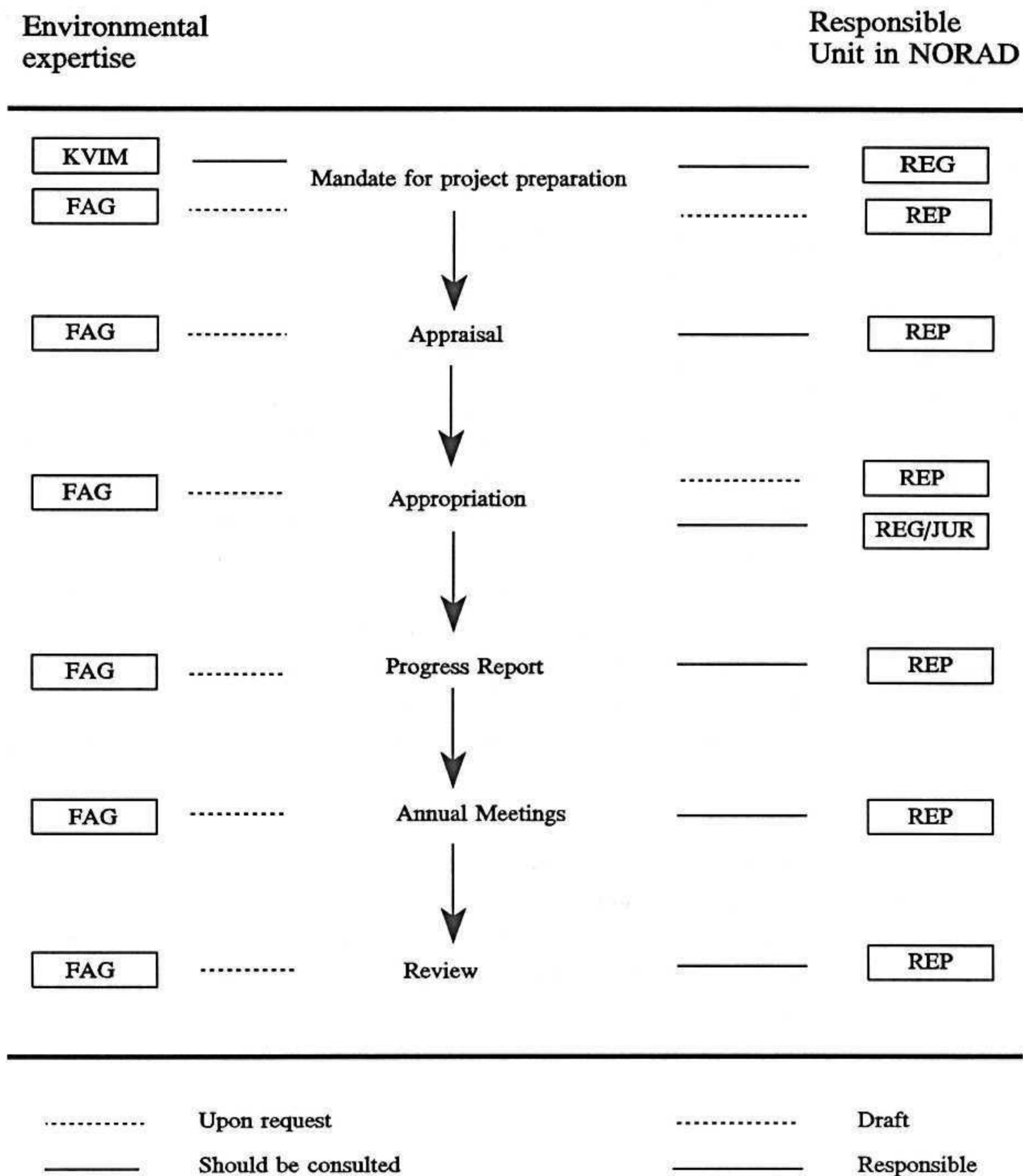
#### *Manual for programme and project cycle management*

NORAD's Manual for programme and project cycle management was completed in March 1994, and refers to Country and Regional Programme allocations. I&N and PFK generally fund projects which are implemented by others (NGOs and industrial enterprises), and thus have other procedures (see chapter 5 for further elaboration). The project cycle can be illustrated by the following figure:



Figure 7 NORAD's internal project cycle

### The internal NORAD project cycle\*



\* For reasons of graphic simplicity, the recipient government is not included in this Figure.



In the early phase of the project cycle, the director of REG gives an approval in principle, on the basis on a request from the recipient government. This is the only part of the process where it is explicitly stated in the manual that KVIM should be consulted, while even that has generally not been implemented. The manual requests that the sustainability of each project be addressed, including environmental sustainability. The need for specific feasibility studies on e.g. environmental impacts is also to be assessed. The next step is an appraisal document, written by the Resident Representative. Assessments of environmental impacts and needs for feasibility studies are required at this level also.

In the appropriation document - which is already rather late in the project cycle in terms of opportunities to change project design - all factors ensuring sustainability must be assessed. The manual requires that "*The minimum acceptable statement is that all such considerations have been taken into account, that adverse effects are unlikely, and that comprehensive studies are not needed.*" If the Technical Department has not been consulted on particular projects, this is to be explicitly stated in the document. There are no specific references to environmental assessments in the last phases of the project cycle.

Within the old organisational structure, the Regional Director could summon and consult an Advisory Group (*Rådgivende forum*) before approving of the Appropriation Document. The group consists of representatives from units relevant to the particular decision, but KVIM would normally be invited. However, this procedure had limited significance, as it would usually come in too late in the process to wield significant influence on projects. According to the 1995 reorganisation, this Advisory Group will continue to exist as a general forum for assessment of policies and projects, including issues cutting across thematic and organisational boundaries.

Within the new structure, an Appropriation Committee (*Bevilgningsutvalg*) is established - headed by the director of the new REG. Other participants in this new committee are to be the directors of the Industrial Development Department, the NGO Department, and the Technical Department. The committee is meant to ensure coordination across sectors, geographical areas and channels. While the Advisory Group only covers projects within country and regional programmes, the new committee is to cover all channels (including NGOs and Industrial Development) and all countries receiving Norwegian aid. Even if the relations between the two fora are not entirely clear, the new structure is likely to make it easier to integrate environmental concerns at this particular juncture of the project cycle.

Both the overall organisational structure and the project cycle stress a direct line of responsibility from the Director General, through the regional departments to the local representations. All project decisions are to be made within this line of command. There are



thus no formal requirements which ensure that the environmental expertise in FAG will be consulted, even in projects with potentially serious environmental impacts.

An alternative to current arrangements would be the introduction of compulsory consultation (*tvangsløkker*) with the Technical Department on projects with assumed environmental ramifications. This would be a way of checking that the EA system (see detailed description in 4.6.2 below) is properly followed and does not admit projects that fail to conform with established environmental goals and guidelines. Such a proposal raises several dilemmas. First, compulsory consultation might create bottlenecks causing unnecessary delays, especially since NORAD has only three or four full-time environmental advisors. Secondly, the lines of responsibility may become blurred - a chronic problem in NORAD throughout the past decades and parts of the rationale for recent reorganisations. A more clear-cut and visible definition of responsibilities for project management also brings advantages to the environmental staff, in that it becomes easier to identify where decisions are made and thus where to direct efforts at influencing such decisions.

One way of compensating for the lack of compulsory consultation would be to give the environmental advisors access to all project preparation documents (step 1 in the project cycle). The idea would not be to overburden FAG with a clearance function for all projects, but rather provide compulsory information - keeping the environmental staff up to date on projects in the pipeline and enabling them to inform the Regional Directors if obvious deficiencies in environmental procedures are identified. Care should be taken, however, to ensure that such arrangements do not relieve Regional Directors of their responsibility for checking that EA procedures are adhered to at all levels of the project cycle.

The regional environmental divisions of the World Bank receive information on all projects at this preparatory level, and even enjoy a clearance function in that EAs have to be reviewed and found satisfactory before appraisal missions are launched. In the Netherlands, environmental advisors have the opportunity to review all project preparation documents, which are computerised in an advanced documentation system linking headquarters in The Hague with all embassies. There is no formal clearance function but environmental officials can forward information on problematic aspects to the relevant decision-making bodies.

The problem with establishing a system like the Dutch one in Norway is that a proper documentation system is not yet in place - neither at the project preparation nor at the appraisal document level. These bureaucratic deficiencies constitute a serious obstacle to any systematic effort at controlling NORAD's environmental performance. Therefore, priority number one for NORAD should be to improve the routines for documentation significantly at both project preparation and appraisal level. Ideally, one should develop a computerised



system like the Dutch example above, as this would greatly improve opportunities for environmental control. As of today, any system of compulsory information at project preparation level would virtually drown environmental advisors in huge piles of unsystematic documents.

A note of caution is needed, however, concerning the above comparison with the EA routines of other countries and institutions. As put forward elsewhere, Norway is more serious than many other donors in fostering domestic ownership over aid programmes and projects. This strategy implies strong involvement of recipient institutions in the project initiation phase as well as in the overall country programming dialogue. Taking recipient responsibility seriously is thus bound to limit to some extent NORAD's control over this process - including relevant environmental aspects. On the other hand, there is no reason why NORAD should not be very clear in demanding that environmental assessment routines are followed up by domestic government institutions.

In the absence of compulsory consultation with NORAD's environmental expertise, and until documentation routines are improved, one option would be to entrust the new unit for quality control with specific responsibility for monitoring that the EA system functions as intended. One environmental advisor could also be assigned special responsibility for EA follow-up - in terms of system improvement as well as implementation control.

#### **4.6.2. *Environmental Assessment (EA)***

##### *Development of the EA guidelines*

The first reference to a system for EA in Norwegian development assistance can be found in a 1980 policy document (MFA, 1980). Subsequently, the development of such a procedure started in NORAD in 1984, and the first handbook was completed in 1988. Since then NORAD has developed handbooks for assessing of specific types of projects which are likely to have significant environmental impacts. The last one was completed in 1994. This means that it took 10 years from the time EAs were required in official policy documents (White Paper no. 36 (1984-85), until the tools for such assessment were completed.

##### *NORAD's procedures for environmental assessments*

The purpose of EAs is to ensure that a project under consideration will not cause unacceptable damage to the environment. Potential environmental consequences should be recognized early in the project cycle and taken into account in further project selection and design. EAs are intended to reduce significantly the need for costly remedial measures later on in the project cycle. The use of EAs is incorporated in the 1994 Manual for programme and project cycle



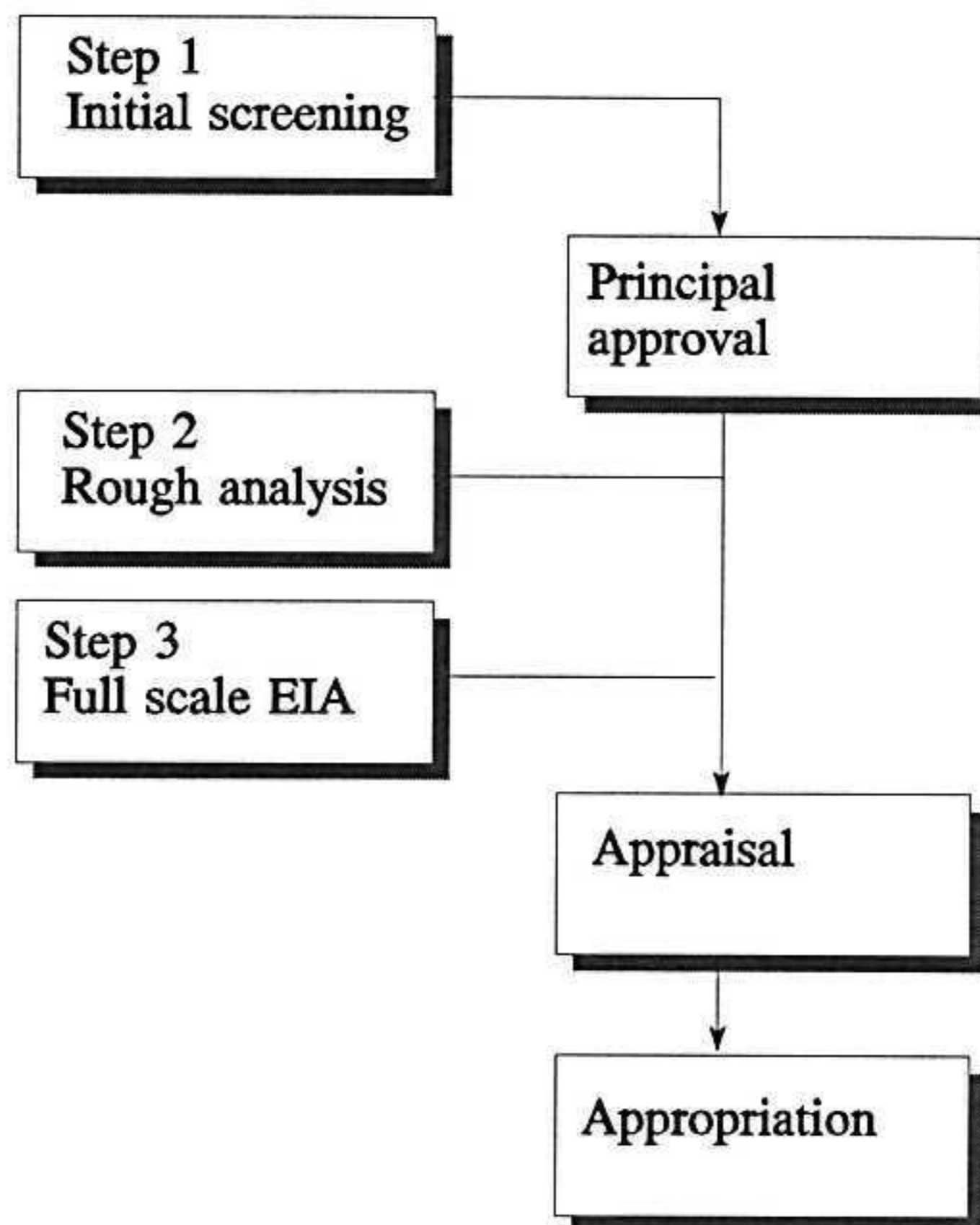
management, which requires EAs to be conducted at an early stage in the project appraisal process,

NORAD's EA system is designed as a three-step procedure. The environmental impacts of all projects are to be assessed before funding decisions are made. The degree of sophistication of the analysis naturally varies, depending on the anticipated environmental impacts of the projects in question. The steps are:

1. *First screening.* In 1988 NORAD developed a check-list for 13 different project categories. If project screening according to this list concludes that there are no negative environmental impacts, no further assessment will be required. If possible environmental impacts are identified, the assessment proceeds to step two or three, depending on how serious the impacts are expected to be (see below). The screening is to be conducted by the task manager at an early stage in the project cycle.
2. *Rough Analysis.* Between 1988 and 1994 guidelines for more detailed assessments have been developed for the same 13 different project categories (agriculture, livestock keeping, forestry, fishery, aquaculture, hydro-power construction, water supply/irrigation, transport, industry, mining, waste treatment, developing central areas and use of chemical pesticides). A rough analysis is to be based on the information already available. It is not specified who is to conduct the analysis, but it is stated that special competence in the particular type of project or environmental impacts is not necessary. The task manager should thus be able to conduct the analysis, possibly assisted by relevant environmental expertise from, e.g., FAG.
3. *Full EIA.* If the first screening has identified serious environmental impacts, or if the rough analysis is not satisfactory, a full environmental impact analysis (EIA) should be carried out. Such analyses require fieldwork, new collection of data and more comprehensive study and quantifications, for instance cost-benefit analysis. TOR for EIA must be designed in each individual case, and there are no general norms or guidelines for how comprehensive such EIAs should be.

The EA procedure is to be integrated into NORAD's project cycle, as described below:



**Figure 8** *EAs in NORAD's project cycle*

For country and regional programme projects, REP is responsible for going through the two first EA steps, and for developing a draft TOR for step three. In this process REP can draw on FAG and KVIM, or on external experts. In NGO projects, the corresponding assessments are the responsibility of the organisations themselves, while the Industrial Development Department assesses its own projects.

NORAD has developed a separate EA procedure for hydro-power projects, based on a comprehensive process of consultation between various units in NORAD and with external expert agencies like NVE and DN. The procedure requires that Norwegian administrative routines for EAs are followed on all hydro-power projects financed by NORAD. The substantive decision on whether a particular project should be implemented, however, formally rests with the recipient government. Whether this is really the case is another matter. Recipient responsibility in environmentally controversial projects, as well as in many other aid areas, is often more symbolic than real - given the explicit as well as implicit donor conditions built into the decision-making process.



#### 4.7. Recruitment and competence-building

With the introduction of environmental consequences into development assistance came a growing need for environmental competence and capacity in NORAD. There were at least two options open to NORAD in this respect:

- Increase the number of special positions assigned for environmental issues
- Increase environmental competence throughout the various sections and units, particularly among task managers, through internal training or recruitment of particular environmental competence.

##### *Environmental expertise*

NORAD's environmental expertise was strengthened in the late 1980s and early 1990s. In 1989 NORAD became an external directorate. As part of this reorganisation, KVIM was established, with one environmental advisor. At the same time a new position as environmental advisor was established in NATR of the Technical Department. However, ever since 1982, NATR's predecessor, the Agriculture and Rural Development Division, had had one full-time position for environmental issues. In 1992 a new position as environmental adviser was added to the NATR staff. The head of NATR has also devoted time to environmental issues. In Norway's programme countries, all local embassies have one person responsible for environmental issues, usually in addition to several other issue areas. In this connection it would be interesting to examine the development of the professional background of NORAD staff. However, this information is not available.

NORAD has thus made efforts to strengthen its environmental expertise centrally as well as locally. Still, considering the emphasis put on environmental issues in both NORAD's policy and governmental papers, the capacity is limited. The same could be argued for several other cross-sectoral concerns, however. Compared to other issue areas, environmental concerns are accorded relatively high priority (three environmental advisors (two in FAG and one in KVIM) as compared to two advisors on gender issues (one in FAG and one in KVIM); one advisor on human rights and democracy (in KVIM); and one advisor on institution building (in FAG)). During the period when this evaluation was carried out, however, most of the environmental expertise in both NORAD and MFA have left their positions. Continuity in environmental policy will most likely suffer as a result of these high turnover rates among the staff.

##### *Competence-building within NORAD*

As described in section 4.6.2., NATR has developed a system for environmental assessments. When the system was introduced in the late 1980s, all NORAD staff attended one-day courses



in EA procedures. When the NORAD Training Centre for Development Cooperation was established in 1992, the implementing responsibility was placed under them, but professional responsibility remained in NATR.

The training in EAs was later combined with economic and socio-cultural aspects in the three day course "Environment and Economy". In 1994 the Training Centre undertook an evaluation of this and other courses. Questionnaires were directed towards NORAD staff working at the embassies, who were to assess the usefulness of the courses in relation to their responsibilities. 70 % of the respondents who had attended the EA course regarded it as useful to their work, 17 % were unsure, and 12 % regarded it as not very useful. Respondents with more experience in development cooperation tended to rate the course as less useful, compared with those with less experience. About 30 % of the respondents, mostly those with higher education, felt that the professional level of the course was too low.

Due to the heavy workloads of potential participants, resulting in few entries, the course has been cancelled several times. Similar experience has been reported in Denmark. The Training Centre, in cooperation with NATR and external professionals, has therefore developed a more focused and operational two-day course in "Environmental Impact Assessments" to be implemented autumn 1995. The target groups are task managers and leaders with aid responsibilities in Oslo and the local embassies. The course is also open to NGOs and consultant agencies, if there are vacant places.

The following aims are listed for the new course:

- Basic knowledge of EAs; including background for the methodology, and areas of use
- Central concepts and definitions
- Enabling participants to use NORAD's EA system in everyday work

The emphasis is on enabling participants to conduct a rough analysis (step 2) and develop Terms of References for full EIAs (step 3).

In addition, environmental aspects are also included in the course "Aid and Development" at NORAD's training Centre.

Training in EA procedures has thus been provided continuously ever since the EA system was introduced in 1988. The majority of NORAD staff with aid responsibility have therefore most likely attended the course. The new trend towards more emphasis on operational aspects is positive, and a precondition for an effective implementation of the EA procedure.



A strengthening of NORAD's capacity on environmental issues could be cost-effectively improved through further internal competence building. If procedures are established which ensure an effective screening of projects early in the process, experts can concentrate on the really problematic projects. For that reason, the EA courses should be made compulsory for all task managers at the local embassies. Secondly, there should be a more comprehensive course for task managers with specific environmental responsibilities.



## 5. NORAD'S ENVIRONMENTAL POLICY IN PRACTICE

### 5.1. Introduction

Norway's bilateral development assistance is allocated through four main channels, each with its own budget allocation. Geographical concentration has been a major principle. The largest sum is thus allocated to a limited number of programme countries over the country- and regional programmes.

Secondly, the Regional Programme provides assistance to a larger number of countries and to joint projects involving several countries within the same region. Both country and regional programmes are administered by the Regional Departments through the Resident Representatives.

A third channel is support through Norwegian, international and local non-governmental organisations (NGOs). And fourthly, there is support through Norwegian industrial and commercial facilities, which is handled by the Industrial Development Department (I&N). This chapter assesses each channel separately.

Due to TOR limitations concerning the level of ambition for the study of environmental aid performance, the team has not been able to assess the implementation record for individual projects and programmes. As noted in chapter 2, the more moderate aim has been to get a general overview of how policies, guidelines, procedures and routines are followed up in practice. More precise information on actual implementation records would require far more detailed analysis, probably at the country or even sector level.

#### *Methodological approaches and constraints*

Implementation of the EA procedures in NORAD's regular activities was assessed by the evaluation team through an examination of a majority of appropriation documents (ADs) in NORAD's 1994 portfolio. This was not an ideal option. ADs are in many respects the final stage in the decision-making process. Decisions on rejection or significant modification of project design should generally take place far earlier, in connection with project identification or at latest at the appraisal stage.

Ideally, therefore, this present evaluation should examine whether and how EAs are made in the course of project identification or appraisal. However, NORAD has no systematic collection of documentation of these phases in the decision-making process. This has made it impossible to get an overall impression of the content and quality of decisions made early in the project cycle - whether for external evaluation teams, or for NORAD's own quality control. And this in turn has made learning from experience and accumulation of institutional knowledge inherently difficult.



Practical concerns have thus determined and limited the methodological options open to the evaluation team. Even though EAs are made long before ADs are written, the procedure should still be reflected in these documents, to ensure that funds are allocated on the basis of sufficient information.

Since there were strong reasons to believe that I&N manages the most environmentally sensitive project portfolio, the team decided to scrutinise all 1994 ADs within this aid channel. For capacity reasons, the examination of Regional Department portfolios (projects within country and regional programmes) was less systematic, but comprehensive enough to enable rough generalisations about rather serious deficiencies in documentation of EA procedures (see below).

NORAD's EA procedures allow for project classification according to a three-step process, as described in chapter 4. However, it was impossible to trace this classification system in any of the several hundred ADs examined, which meant a lot of extra efforts to systematise the existing project information.

Moreover, examination of ADs for NGO projects was not a possible option. First, the larger share of NGO funding is allocated through framework agreements, and NORAD does not require mandatory EA procedures for these projects. Applications for funding of single projects, containing possible EAs, were spread throughout the archives and would thus have been extremely time-consuming to examine in detail.

NORAD's internal routines for documentation of decision-making in the environmental area are thus insufficient. The situation seems somewhat similar at the embassies in Norwegian programme countries, where individual task managers have to develop their own systems for environmental project documentation. Such poor routines make it difficult for external officials to assess how decisions are made and to analyse the content of the decisions. Internal efforts at quality control are doomed to face the same constraints unless routines are improved. This point is illustrated by the fact that no one in NORAD was able to provide judgements concerning the EA implementation record so far.

## **5.2. Projects and measures aimed directly at environmental improvement**

### ***5.2.1. The Special Grant for the Environment and Development***

Environmental goals are to be implemented both through specific environmental projects as well as through integration of environmental concerns into regular aid projects - for instance through EAs of all NORAD activities. Before examining the implementation of environmental



goals in the different channels, the specific environmental projects will be briefly discussed here.

Projects primarily directed towards environmental improvement got a major stimulus through the Special Grant for the Environment and Development, introduced in 1984. This was originally intended as a provisional arrangement. The ultimate objective was to integrate environmental considerations into ordinary existing aid channels, and the Grant was meant to have a catalytic effect towards this aim. However, the Grant has been upheld, and would now seem to have become more or less permanent. A large proportion of NORAD's high profile environmental activities are still linked to the Grant.

The Grant was evaluated in 1991 (MFA, 1991). A general conclusion from the evaluation was that the Grant served as a flexible and effective finance mechanism for activities at improving the environment. On the negative side, the Grant was found to lack clearly defined goals and guidelines for how to allocate resources. The evaluation also underlined that too little weight was given to institution building and long-term project effects. The Grant operated in isolation, and was not instrumental in integrating environmental concerns into other bilateral development assistance. A large share of the funds were allocated directly to the IUCN, who was responsible for both identification and development of projects. Thus, the Grant resulted in limited institutional learning and competence building within NORAD.

The establishment of a separate Grant for the Environment and Development was, however, generally seen as having been an effective catalyst for integration and awareness of environmental concerns.

However, if maintained at the same level as today (1995), the Grant may actually become counterproductive to the aim of cross-sectoral integration. The aid administration could simply argue that environmental concerns were already included in Norwegian development assistance by referring to the Grant, and thus avoid the far more challenging task of cross-sector integration.

### **5.2.2. *Statistics on environmental activities***

The amount of money spent on environmental activities has been used as indicator of how well and to what extent environmental concerns have been integrated in Norwegian development assistance. One such indicator is the size of the Special Grant for the Environment and Development; another is NORAD's statistics where all projects are classified according to OECD/DAC guidelines. These guidelines specify how environmental projects in all channels and sectors are to be defined and classified.



NORAD classifies projects in the following way (NORAD, 1995 and OECD-DAC, 1994):

- *Non-environment related*  
Projects not specifically intended to improve the environment
- *Population measures*  
Projects aimed at population control constitute a separate environmental category in NORAD. OECD-DAC guidelines do not define such projects as 'environmental', and they are therefore not reported to OECD as environmental projects by Norwegian authorities.
- *Environment-integrated projects*  
These projects have environmental improvement as one of several goals. According to OECD/DAC, projects which have changed specifications as a result of an EIA and projects where the environmental specifications significantly exceed legally imposed environmental requirements should be classified in this category.
- *Environment-specific projects*  
According to OECD/DAC, these projects are uniquely intended to improve the physical environment of the country, area or target group concerned, including the funding of measures to remedy existing environmental damage. Projects where environmental deterioration is simply avoided are not to be classified in this category.

**Table II Bilateral development assistance by, project category, 1990-1994 (mill. NOK and percent of total).**

	Non-environment related projects	Population measures	Environment-integrated projects	Environment-specific projects	Total
1990	3.44 (86%)	0.13 (3%)	0.34 (9%)	0.09 (2%)	4.01
1991	3.17 (80%)	0.16 (4%)	0.39 (10%)	0.22 (6%)	3.94
1992	3.38 (81%)	0.15 (3%)	0.43 (10%)	0.22 (5%)	4.16
1993	3.03 (80%)	0.11 (3%)	0.45 (12%)	0.19 (5%)	3.78
1994	3.77 (85%)	0.07 (2%)	0.34 (8%)	0.25 (5%)	4.44

Source: NORAD, 1995

Table II shows that funding for environmental projects has remained relatively stable in the 1990s. Around 15-20 % of total Norwegian bilateral development assistance has been allocated to environmentally related activities since 1990. Environmental integrated and environmental



specific measures/projects have made up an annual share of about 10 % and 5 % respectively. Within the same period, measures to reduce population growth have received an annual share of 2-4 %.

Classifying projects aimed to reduce population growth as environmental projects is, however, not in accordance with OECD/DAC guidelines. Population control measures are primarily aimed at improving living conditions and at reducing poverty. Even though such projects may also reduce the pressure on natural resources, and thus have an indirect positive effect on environment, they can not be said to be motivated by environmental concerns as such.

Classifying projects according to the above categories has been questioned within and outside NORAD. It is argued that the classification exaggerates the level of support for environmental projects. Compared to the NORAD publication 'Norsk bistand i tall'(1994) there also seem to be rather significant inconsistencies in the data material. Projects classification will to a great extent depend on subjective judgements, irrespective of detailed guidelines. There is also the danger that statistics like these - if used as an indicator of the level of effect and success in addressing environmental concerns - might lead to relabelling of existing projects and thus contribute to further confusion. Finally, it is important to bear in mind that such statistics cannot reflect whether environmental concerns have successfully been integrated into regular aid activities. There is a danger that the aid administration will favour environment-specific projects with high visibility over the more general integration of environmental concerns. For these reasons, such statistics should not be used as a success criterion or as indications of efforts to address the overall goals of environmental aid policies.

### **5.3. Integration of environmental concerns in country programmes**

Country programmes are formal governmental agreements which specify responsibilities for both Norway and partner countries, and are thus subject to negotiations between the governments. The programmes are usually fully reviewed every fourth year, with minor revisions made annually. The final programmes describe overall political, economic and development assistance patterns in the country in question. Each country programme also contains a description and discussion of sector programmes and single projects. Plans for various activities in the coming year are presented, together with anticipated allocations.

Many factors influence the inclusion of environmental projects in country programmes, since MFA, NORAD and the recipient country's government are all involved in the process. However, within the framework adopted by the Parliament (in annual budget letters) and the MFA (in country strategies), NORAD has considerable influence in defining the content of the projects. Resident Representatives are the pivotal actors. They communicate and negotiate new



activities and projects in dialogue with the local government, and are also responsible for implementation follow-up. Authorities in recipient countries, especially the poorest ones, tend to be less concerned about environmental issues than do donor governments. Under such circumstances, environmental aid policy may easily become directed by donor interests. This in turn may mean that the emphasis put on environmental (and other) aspects becomes far more dependent upon the interests and priorities of the Resident Representatives than the formal terms of the country programme process indicate.

### *5.3.1. Environmental assessments in country programmes*

Decision-making procedures for allocation within the country programmes are determined in NORAD's project cycle manual. As described in section 4.6. above, all appropriation documents are to assess the environmental consequences of a project according to the manual. However, less than half of the appropriation documents from 1994 actually contained any documentation of such assessments. This does not necessarily imply that environmental consequences have not been considered in these projects, but such lack of documentation reveals more than poor bureaucratic routines. The fact that possible environmental screenings are not verified means that allocations are made on the basis of insufficient information.

### *5.3.2. Environmental activities and projects in country programmes*

Since the mid-1980s, all country programmes have included a description and sometimes an analysis of the environmental challenges in the respective countries. However, the comprehensiveness of these descriptions varies. In the 1980s, measures directed towards environmental improvement were financed largely through the Special Grant for the Environment and Development, and rarely integrated in the country programme context. The situation changed in the late 1980s; as of 1995 environmental aspects and projects are integrated in the country programmes to a far larger extent. Environmental projects are now included in all country programmes, and some country programmes also list the environment among the main priorities.

An illustrative example is the country programme for India, where the environment is one of the two main areas for support. As much as 55 % of the Norway's allocations to India are intended to finance environmental projects. Environmental concerns are also listed as one of several sectors in the country programme for Pakistan. The country programme for Sri Lanka contains a comprehensive Environmental Cooperation Programme, with one full-time official responsible for management and implementation. In Tanzania, formerly independent environmental projects were regrouped within a framework agreement with the Tanzanian



government in December 1994, in an effort to increase coherence and enhance domestic ownership of environmental activities supported by NORAD.

Much of the funds allocated to environmental policy in the country programmes support natural resource management, through institution- and competence building, and the establishment of environmental laws and regulations. Wildlife management projects and conservation measures in sectors like agriculture, fisheries and in rural development programmes are also frequent. Rather few activities address pollution problems - reflecting the fact that emission of polluting substances is not a major problem in most of the programme countries. On the other hand, pollution problems are becoming increasingly important in some programme countries, especially in India.

Environmental aspects have gradually become better integrated into the various country programmes over the past 10 years. However, much work remains to be done before integration is successfully accomplished in all aid activities. In particular, more efforts need to be mobilised to implement the project cycle manual and EA procedures within this channel.

#### **5.4. Integration of environmental concerns in regional funds**

Regional funds finance projects outside the programme countries, or projects involving several countries in the region. General guidelines here are to a varying degree defined by MFA, and contain very few references to environmental issues. The most important guidelines are provided in the annual budget letter. On the basis of these general guidelines, NORAD formulates programme documents for each fund, which are approved by the MFA. NORAD has also outlined programme documents for some of the countries which receive large amounts from the funds. Environmental concerns are reflected in most of these documents.

##### **5.4.1. *Environmental assessments in regional programmes***

The regional funds are administered by the two Regional Departments and the Resident Representatives, parallel to the country programmes. It is thus not surprising, given what was said above, that documentation of environmental assessments of projects is again largely lacking in appropriation documents from 1994. EAs are documented in only about one quarter of all projects. The majority of these projects have no significant environmental impacts, although there does not seem to be any clear connection between the extent of environmental impacts and documentation of EAs. Be that as it may, it again means that allocations are made on the basis of insufficient information.



#### 4 NORAD's regional funds

Regional funds today comprise the following funds:

- The Regional Fund for Africa, established in 1992 as a merger of different funds (Budget for 1995: NOK 185 mill.)
- The Regional Fund for Asia, established in 1992 (Budget for 1995: NOK 30 mill.)
- The Regional Fund for Central America, established in 1986 (Budget for 1995: NOK 65 mill.)
- The Grant for Sahel-Sudan-Ethiopia (SSE), established in 1984 (Budget for 1995: NOK 148 mill.)
- The Grant for Regional Cooperation in Southern Africa (SADC's action programme), established in 1980 (Budget for 1995: NOK 120 mill.)

#### 5.4.2. *Environmental activities and projects in regional programmes*

The larger part of the regional funds is managed by NORAD with a small amount managed by the MFA. Funds are either managed by REP in a programme country in the area, or directly from NORAD in Oslo. Due to capacity constraints and lack of relevant competence in NORAD, for some countries grants from the fund are channelled largely through NGOs.

##### *Environmental guidelines and use of the funds*

The operational guidelines for the funds are to a varying degree directed towards environmental improvement and natural resources management.

- *The Regional Fund for Africa*  
NORAD's draft programme document for 1995 states that the main goal for the fund is to support economic, social and political reform processes in Southern and Eastern Africa. It is specified that support to agriculture and management of natural resources will be given priority. Improved natural resource management is listed as the main goal for support to Uganda; and projects which aim to improve natural resource management and environment are to play an important role in Ethiopia and Eritrea.
- *The Regional Fund for Asia*



According to NORAD's draft programme document for 1995, this the fund is to be made available for short-term support to economic, political and environmental changes. Improved natural resource management and environmental protection are two of five main goals for the fund. The share of the fund used for environmental concerns will be increased considerably in 1996, as aid to India and Pakistan is transferred from the country programmes to the regional fund.

- *The Regional Fund for Central America*  
MFA's guidelines for the fund, dated 1989, contain few references to environmental issues. However, projects promoting the environment and management of natural resources have been supported since the early 1990s according to annual budget proposals. The environment and resource management are today main areas for support, in addition to democracy and human rights. NORAD's programme documents for recent years address environmental issues in a fairly comprehensive manner. Most of the support for environmental improvement has been channelled through local NGOs or the IUCN.
- *The Grant for Regional Cooperation in Southern Africa (SADC's action programme).*  
MFA has issued several guidelines for this grant over the years, and NORAD has developed continuous three-year programme documents for Norway's support. The goal for is to promote a peaceful economic development in SADC member countries and in the region. Training of personnel and institution development are given priority. Support to management of natural resources has increased since the late 1980s. At present, the environment is one of five priority sectors. Thus, environmental concerns have to an increasing degree been integrated into SADC's activities, and SADC has for several years had an Environmental Secretariat.
- *The Grant for Sahel-Sudan-Ethiopia (SSE)*  
Unlike the others, this grant was largely motivated by environmental concerns from the beginning. Its overall objectives were to improve local food production and food security, and to improve the natural ecological base in order to develop sustainable production systems. The grant was evaluated in 1992 (MFA, 1992). The evaluation concludes that strengthening of resource management is a difficult task, and that donors (in this case Norway) may not always possess the relevant competence necessary to achieve this goal.



## 5.5. Environmental concerns in NGO projects

Funds allocated through non-governmental organisations (NGOs) are a third channel for Norwegian development assistance. Many NGO projects are small and concentrated in sectors which have insignificant effect on the environment. However, NGOs are also heavily involved in sectors like agriculture and fisheries. Increased attention was given to environmental concerns after the introduction of the Special Grant for the Environment and Development, and the Sahel-Sudan-Ethiopia (SSE) Programme (introduced in 1984 and 1985 respectively). While the first grant gave NGOs incentives to develop environmental projects, the second focused on the relationship between severe drought, poverty and environmental degradation in Sub Saharan Africa. The two special grants have thus encouraged projects directed toward the environment as such, and increased emphasis on integrating environmental concerns into other NGO projects.

### 5.5.1. Organisation

In 1995, NOK 600 million was allocated to NGOs over the aid budget. These funds are administered by the NGO Division in the NGOs, Volunteers and Cultural Affairs Department. As indicated by the name, the department consists of two more divisions: The Volunteers Service Division and the Cultural Affairs Division. The two last divisions rarely to handle projects with significant environmental effects, and will not be further discussed in this report.

The NGO division is not organised primarily according to issue areas. Each officer is responsible for contact with one or several NGOs; organisations specialising in the same field (e.g. education) are handled by the same officer. Environmental issues are not the primary responsibility of any one of the staff, but the officers in charge of the Special Grant for the Environment and Development and Sudan-Sahel-Ethiopia Programme have some informal responsibility.

### 5.5.2. Policy guidelines

In "Guidelines for NORAD assistance to the activities of Norwegian non-governmental organisations in developing countries", dated June 1994, the environment is introduced in the following manner:

Developing cooperation must...be rooted in local resources as a basis for projects becoming economically, ecologically, culturally and institutionally self-sustainable.



Furthermore,

The measures should contribute towards enabling local communities to conserve and strengthen the natural resource base and the local environment.

All NGOs applying for NORAD support are required to develop policy documents which describe the historical background of their development work and their basic goals and values. These policy documents should also specify the NGO's general criteria for selection of projects, including which an outline of the organisation's profile with regard to the environment

### 5.5.3. *Procedures*

As NGO projects are not subject to the regular NORAD project cycle, NORAD's three-step system of environmental assessments (EAs) does not apply. NGOs may apply for three types of funding:

- 1) Framework agreements
- 2) Single projects
- 3) Preliminary assessments

For each type of funding, there are standard application forms and requirements.

#### *Support through framework agreements*

The largest part of NGO budget by far is allocated through framework agreements. In 1995, 15 Norwegian organisations received approximately two thirds of NORAD's NGO support through such agreements. The agreements vary in size, with Norwegian Church Aid as the largest, receiving NOK 72 mill. in 1995. NGOs with framework agreements are required to present annual plans describing their activities. These plans are to contain an overview of the organisations' activities in the countries where they are involved, as well as a brief presentation of all ongoing and new projects.

The NGO division in NORAD lacks capacity to make detailed evaluations of each project included in these agreements. The NGOs are expected to operate rather independently, and their activities are thus not meant to be regulated in detail. Each organisation is trusted to make its own judgements regarding project preparation and implementation, including environmental assessments. NORAD focuses its attention on the organisation as such, and whether it has developed planning and evaluation procedures to ensure the quality of its work.



NORAD does not require any detailed assessment of the environmental consequences of single projects in these agreements. The focus is on project goals, and documentation of goal achievement. Other important aspects are the competence of the Norwegian NGO, and the ability of the local cooperating organisation to take over the project within a reasonable time frame. Strict implementation of the various guidelines (i.e. EA procedure) is not required.

*Funding of single projects.*

A smaller proportion of the budget is allocated to single project applications. In 1995, 34 Norwegian NGOs were granted funding for 82 projects. The standard application form for such projects is quite comprehensive: NGOs are asked to describe the environmental consequences of the project and whether an EA has been made. However, the NGO Division confirms that not all of the questions posed in the form must necessarily be answered. It is the executive officer in the NGO division who decides whether the environmental consequences are sufficiently analysed and documented.

NORAD has also developed a check-list for single project documents. NGOs are required to give both a description of the ecological context of the project and an assessment of potential environmental consequences. (Similar requirements exist with regard to consequences for women and marginal groups.) If this is relevant, NGOs are also required to develop strategies to ensure environmental sustainability. The check-list is comprehensive, but not in any way intended to be compulsory.

Finally, NORAD has also developed a standard evaluation form for single projects. The project officer in the NGO has to consider possible effects on local resources (human, natural and institutional) which may be affected by the project. However, again main emphasis is on the organisation as such and its local partners.

*Funding of preliminary assessments*

Finally, NGOs can apply for funding of preliminary assessments of new projects. NORAD does not require any specific information besides a general project description at this stage of the planning process.

**5.5.4. Environmental expertise**

NORAD's NGO division has no specific environmental expertise of its own. However, the division has established an agreement with NORAGRIC for the management of NGO support within the Sahel-Sudan-Ethiopia Programme. The agreement was established after NORAD's own environmental expertise in the Technical Department had decided it did not have capacity



to serve as an advisory agency for the Programme. NORAGRIC is to advise both NORAD and the NGOs. For other projects, NGOs have to rely on their own environmental expertise.

NORAD has also made some attempts at increasing the environmental competence of Norwegian NGOs. In the late 1980s, NGOs were to some extent involved in the development of EA procedures. The EA courses at NORAD's Training Centre are also open to NGO representatives, on a voluntary basis.

#### **5.5.5. *Environmental assessments of NGO projects in practice***

The larger part of the NGO funding is allocated through framework agreements in which the NGOs are responsible for the environmental assessment of single projects. The TOR for the present evaluation did not allow for an examination of the NGOs procedures in this respect. It has thus been difficult to assess how environmental concerns are integrated into the projects financed through this channel.

Many Norwegian NGOs list conservation of the environment and sustainable management of natural resources as major goals. However, this does not give any indications of how NGO projects are designed and implemented. The significance of environmental requirements in NORAD's various NGO guidelines may also be questioned, as the impression is that they are not well known among many NGO project officers. Some NGOs also maintain that the guidelines are not stressed or given much attention by NORAD.

The NGO Division assesses the environmental consequences of proposed projects on the basis of the information provided by the NGOs. If the potential environmental consequences are considered to be insufficiently documented, the NGO Division will require further documentation. However, the overall policy principle is that NGOs must be trusted to make most judgments themselves. The organisations are granted considerable freedom of action.

It is clear that EAs are not undertaken, or at least not documented to NORAD, in most NGO projects. This is not in line with the policy adopted by Parliament which requires EAs of *all* aid projects receiving Norwegian funding. It is difficult to see any reason why NGO projects should be exempted from an assessment of possible environmental impacts, and classified according to the same categories as regular NORAD projects.



## **5 Incorporation of environmental concerns in two Norwegian NGOs**

### **Norwegian Church Aid**

Norwegian Church Aid has, as from 1995, engaged coordinators to be responsible for implementation of several cross-sectoral issues formulated in Norwegian development policy, like gender, human rights, disaster relief, institution building, health/education, production and environment/management of natural resources. These coordinators are to have both an initiating and advisory role in relation to the rest of the organisation. The environmental coordinator has relevant professional background. However, this task is only 20 % of one full-time position. The organisation does not have any strategy for training its own staff or a check-list for possible environmental consequences of projects.

### **The Norwegian Missionary Council**

The Council administers applications from 13 missionary organizations, and handles between 150 to 200 projects each year, spread over 30 countries. The central administration consists of six persons with different technical expertise. Environmental concerns are primarily the responsibility of the agricultural expert and the hydro-power expert. The organisation aims to be able to identify possible environmental problems, and more specific expertise (NORAGRIC or local experts) is consulted if necessary.

## **5.6. Industrial and Commercial Cooperation**

A fourth channel for Norwegian aid is development assistance implemented through Norwegian business and industry. The primary aim of such support is to stimulate industrial and business development in developing countries through cooperation with Norwegian companies.

### **5.6.1. Organisation**

In 1994 funding of commercial and industrial projects amounted to about NOK 460 mill. These funds are administered by the Industrial Development Department (I&N), which is divided into three geographical divisions:

- 1) The Africa Division
- 2) The Asia and Latin America Division
- 3) The Global Division, covering all other areas



There is also a fourth division for import from the developing countries to Norway (NORIMPOD). The division offers advice and financial support, and will not be further discussed in this report.

Norwegian companies may apply for two kinds of funding:

- Provisions facilitating the establishment of joint ventures (investment support)
  - Provisions stimulating export of capital goods, technology, and services (export support).
- A more detailed description is provided in Box no. 6.

## **6 Provisions for industrial and commercial support**

### *Investment support*

The main purpose is to compensate for the particular risks associated with investments in Third World markets. Investment support is in principle given priority, but is nevertheless much lower than export support. Norwegian companies can apply for funding through the following provisions:

- Support for feasibility studies
- Soft loans and guarantee facilities
- Support for basic infrastructure investments
- Part-financing of initial training
- Equity investment guarantee

### *Export support*

Export support is based on the assumption that Norwegian export to developing countries means transfer of capital and know-how. The purpose of the funding is to place the competitive position of Norwegian exporters on an equal footing with competitors from other industrialized countries. The following provisions exist:

- Support for training projects
- Mixed credits
- Export guarantee
- Parallel Financing

### **5.6.2. Guidelines**

NORAD is currently developing a set of guidelines for the different funding mechanisms for industrial and commercial cooperation. These guidelines are at present subject to approval procedures in the MFA. According to the guidelines, all projects are assumed to generate development according to several criteria. One of those criteria is that projects fulfil local and



international environmental and pollution requirements. However, each project does not have to fulfil all the criteria listed. The requirement of international standards is thus a matter of discretion. NORAD also provides special funding of environmental investments, primarily in cases where Norwegian requirements are stricter than local ones. This funding covers up to 80 % of the additional costs of these investments. The percentage can be further increased in projects containing a particularly comprehensive environmental investment.

#### **7 Examples of projects where NORAD has funded environmental investments**

- In 1994, NORAD supported (mixed credits) the establishment of fish processing industry in Vietnam. Norwegian standards for emissions were stricter than local standards. The additional costs of meeting Norwegian standards were fully financed by NORAD.
- In 1991, NORAD supported investment in a factory producing plastics raw materials in Pakistan. Norwegian emission standards were required by NORAD, and the Norwegian company was granted full financing of additional costs.

#### **5.6.3. Procedures**

I&N has developed a comprehensive set of procedural guidelines for the different provisions, and also introduced standard formulations of various documents included in the project cycle. The department has a standard formulation for the appropriation documents which ensures that environmental assessments are made. The only exception is appropriation to (small-scale) feasibility studies. Environmental assessments are thus not considered relevant, since the support mostly covers travel expenses.

For applications for joint venture investment loans, detailed information is required regarding:

- possible negative environmental impacts
- measures taken to minimize environmental problems
- EIAs
- compliance with local regulations
- compliance with Norwegian regulations

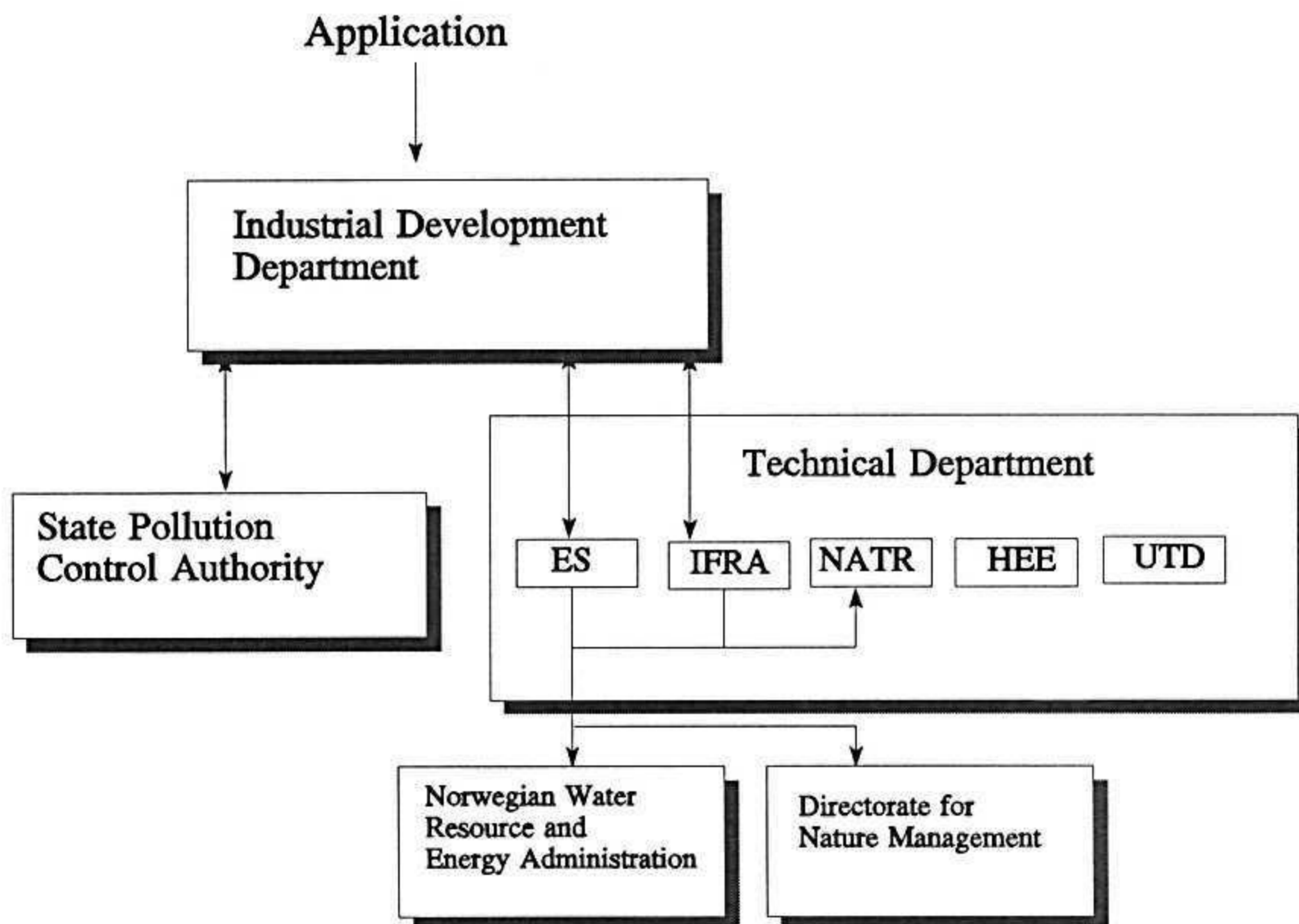
The export provisions do not have detailed standard application forms, but more general requirements where environmental concerns are included.



I&N relies on the Technical Department in NORAD for professional advice in special areas like environmental impacts, and confers with the relevant technical divisions in FAG if needed. However, FAG is responsible for the internal coordination between several different concerns. This means that energy projects are sent to the Energy and Maritime Division (ES) and infrastructure projects are sent to the Infrastructure Division (IFRA). The environmental expertise in FAG is thus rarely directly consulted by I&N.

FAG is consulted in most projects, the major exception being industrial projects, where I&N has professional expertise itself. However, the Norwegian Pollution Control Authority (SFT) is consulted regarding polluting emissions. The procedures can be illustrated by the following figure:

**Figure 9** *Handling of project applications*



#### 5.6.4. *Environmental assessments in practice*

##### *Step 1: Screening of projects*

I&N funds projects which often may have serious environmental impacts. Procedures to ensure that environmental assessments are made have thus been developed and implemented. EAs are, with few exceptions, documented in the appropriation documents (90 % of all ADs documented that EAs were undertaken in 1994). This record is considerably better than for



other NORAD departments and channels. A more random selection of earlier ADs indicated that this routine has been in place for several years. However, it must be underlined that routines for environmental assessments do not necessarily ensure that the assessments are well founded or that their conclusions affect the design of projects in a proper manner.

#### *Step 2: Rough analysis*

External and internal expertise is consulted regularly for projects which are expected to have significant environmental impacts. However, this procedure has been flawed by internal coordination problems in the Technical Department. There are several examples where the environmental experts of both FAG and KVIM have not been involved in projects with severe environmental impacts. On the other hand, it is difficult to blame I&N for these deficiencies, as it is the Technical Department which must be responsible for its internal coordination and for ensuring that all relevant aspects of each project is properly assessed.

#### *Step 3: Full EIA*

The decision of whether a full EIA is needed is made by I&N, sometimes after consultations with FAG. There are no standard requirements for full-scale EIAs. It is thus not unusual for there to be disagreement between I&N and external experts on whether the EIA is sufficient. SFT, DN and NATR have repeatedly criticised the quality of the EIAs. It is left to I&N whether potential negative environmental impact is outweighed by other positive development impacts.

#### *Timing and quality of EAs*

Even though I&N has implemented EA procedures, the quality and timing of the EAs are not always satisfactory. Environmental consequences are often assessed too late in the project cycle, and some assessments seem somewhat superficial. (For example, formulations like "claimed to not have environmental consequences" are accepted.)

#### *Environmental standards in industrial projects*

An unresolved issue is which environmental standards should be required in Norwegian-funded aid projects. As a general rule, local standards must always be complied with. If Norwegian standards are set at a higher level, I&N often requires that they are complied with. However, there is an element of discretion in such decisions. According to I&N, Norwegian standards may in some cases be impossible to implement in the recipient countries. (for example, waste disposal sites might be nonexistent) In these cases I&N decides whether to support the project, after consulting with SFT. As mentioned above, I&N may fund up to 100 % of additional costs connected to environmental investments. All the same, from the recipient's point of view, Norwegian standards may still imply additional unnecessary costs.



## 8 The quality of EIAs

Disagreements regarding environmental consequences of NORAD projects are frequent when it comes to hydro-power projects. In a NORAD supported hydro power project in Laos in 1993 (Theun-Hinboun Power Project), both SFT and DN concluded that the EIA was insufficient. Alternatives were not considered. NORAD responded to this criticism by initiating a new EIA. In another dam project in India in 1992, the Ministry of the Environment concluded that the information available was insufficient for a proper EIA. The funds were still granted. However, there are also examples of good EIAs: The EIA of a hydro-power project in Nepal in 1993 (Khimti Khola Hydroelectric Project) consists of several independent impact studies done by local experts. The report was finally reviewed by international experts.

### *The independence of the EIA consultants*

Another controversial issue in I&N projects has been that some EIAs have been conducted by consultants with vested interests in the implementation of the projects. This has been particularly relevant in the area of hydro-power, and has led to new instructions from the Director General in October 1993 - stating that EIAs should be conducted by independent consultants without economic interests in the project in question. A cursory survey made by the team of how this directive is followed up, identified some 'grey area' projects launched soon after October 1993. This is at least somewhat understandable, given that binding decisions in this respect were made before the directive was issued. The survey, and discussions with various actors responsible for following up the directive, also served to underline the complexities involved in strict policing of this principle. It may, for instance, in some cases make it difficult to get hold of well-qualified EIA consultants, and can increase the costs of the EIA process. In any case, and irrespective of who has produced them, the quality of EIAs should be controlled by NORAD or an expert agency assigned by NORAD.







## 6. CONCLUSIONS AND RECOMMENDATIONS

In this chapter the main conclusions are dealt with in sections 6.1. - 6.4., followed by the recommendations in section 6.5.

### 6.1. Introduction

Increased awareness of resource degradation and pollution in OECD countries introduced a new and complicated cross-sectoral challenge to development policy and aid programs during the 1980s. The bilateral as well as multilateral development community had to address these new environmental concerns, and adjust to new demands and expectations as to what development assistance is all about. The aid institutions responded at three different levels:

- Environmental policies and strategies were developed.
- Administrative procedures and systems were modified to accommodate new policies.
- Staff competence was enhanced, and administrative capacity to deal with environmental issues was increased.

However, the content, quality and effectiveness of this response was not uniform across countries and institutions. This report examines how environmental challenges and concerns have been dealt with in Norway's bilateral development aid over the last 10-15 years, and represents one of the first systematic evaluations of environmental aid performance within the OECD region.

#### *The nature of the challenge*

The nature of aid-related environmental problems varies significantly across countries and sectors. Primary education and health projects are less environmentally sensitive than huge infrastructure programmes or development of manufacturing industries. Similarly, institution building gives less reason for concerns over direct environmental effects than agricultural and fishery projects. On the other hand, building institutional capacity is often an important condition for sustainable management of resources throughout all sectors of an economy.

In today's political climate in the OECD countries, it is tempting for aid agencies to concentrate activities in 'soft' sectors of developing country economies and move away from 'hard' sectors like infrastructure and industry. This trend is driven by two very different factors: i) the increasing ability of middle-income developing countries to raise funding domestically and through international capital markets for 'hard sector' development, and ii) the increasing pressure on aid agencies from NGOs and 'green' OECD governments to make them integrate environmental and social concerns in all aid activities. The World Bank is the focal point of many of these pressures, which are forcing the institution more and more into areas previously dominated by 'softer' UN and bilateral aid agencies.



This raises the question of what really constitutes green or environment-friendly development assistance:

- Is it an aid portfolio dominated by projects in sectors with marginal environmental problems?
- Is it the portfolio that can boast of the largest number of explicitly green projects?
- Is it the portfolio that delves into environmentally sensitive areas that otherwise would have been financed by domestic/private capital more or less beyond environmental control?

Of course, most aid agencies will have projects in all three portfolio categories. The distribution between them also reflects basic priorities and policies outside the environmental sphere. Still, there is no doubt that a Minister of Development Cooperation with a majority of projects in the two first portfolios leads an easier political life than a colleague who has to manage a broad range of environmentally sensitive industry and infrastructure projects. In simplified terms, development ministers in the latter position are faced with two policy choices: either to move the aid policy's centre of gravity towards the two other categories, or to convince their electorates that sufficient procedures exist to integrate environmental concerns in 'hard' sector projects.

Again, for reasons elaborated on in chapter 3 above, the former alternative may be easier to get away with than the latter one, even if there clearly are sound environmental reasons for a strong presence in the productive sectors of developing countries. The main arguments for remaining involved in environmentally sensitive sectors and projects are the following:

- In low- as well as middle-income developing countries, the productive sector - be it agriculture and forestry or infrastructure and industry - remains the major environmental challenge. If concerns with environmental 'purity' gradually move donors out of this sector, one loses a unique opportunity to influence policy choices, project design as well as environmental assessment routines.
- Even if specific environmental projects often address the ecological impacts of economic development, and obviously are important as such, they tend to represent end-of-pipe solutions rather than precautionary approaches to environmental management. They should be seen as supplements, and not an alternative to, the main goal of integrating environmental concerns into fundamental economic processes in developing countries.



- Moving out of the sectors that sustain poor countries' economic growth over the coming decades ultimately represents a defensive development aid policy, in developmental as well as environmental terms.

#### *Challenges to Norway's development assistance*

Accordingly, the assumed detrimental environmental impacts of aid projects and programmes should not be a criterion for project selection, but a starting point for project design. A large share of Norway's bilateral aid is concentrated in sectors and projects where the environmental effects are marginal. There are, however, a number of projects in most of Norway's programme countries with quite serious environmental implications. In these cases, relevant expertise needs to be consulted during project preparation to assess whether the project should be supported, and if so, how project design should be modified to ensure that environmental aspects are addressed properly.

Thus, when focusing on environmental challenges at project level, it is important that the aid administration can:

- develop the necessary competence to be able to analyse and understand the nature of environmental challenges in development assistance;
- establish a system that can identify all important environmental effects of aid activities as early as possible in the project cycle;
- develop procedures for modifying project design according to the finding of environmental assessments (EAs );
- implement these procedures;
- develop a consistent policy which addresses the possible trade-offs that will have to be made between the environment and other goals and concerns in development assistance

To examine whether the administration of Norway's bilateral development aid has been able to successfully handle the issues listed above, we have divided the evaluation in four parts. The following issues are reviewed and discussed:

- how environmental concerns have been included in overall goals and principles for development assistance;
- how the Ministry of Foreign Affairs (MFA) has developed policies that are instrumental in guiding NORAD in its practical work;
- how NORAD is organised and what environmental guidelines and routines have been developed; and
- how the project cycle and decision-making procedures have been modified and implemented to accommodate environmental concerns.



## 6.2. Policy formulation

The Parliament endorses overall goals and principles for Norway's development assistance. These are to be elaborated on and operationalised into policies and strategies by the Government. NORAD is responsible for implementing these policies and strategies, and for developing the specific procedures and routines necessary to ensure proper implementation.

### 6.2.1. *Overall principles and goals of Norway's bilateral development assistance*

Integration of environmental concerns was established as a goal in Norway's development assistance policy early in the 1980s. The first governmental directive to this effect was issued in 1981, formally established as a basic element in Norwegian aid policy in a White Paper issued in 1984. Later White Papers (1986-87, 1988-89, 1991-92) reconfirmed and further developed environmental aid policy, taking into account important international events like the UNCED process. In most respects, this policy process has provided the Ministry of Foreign Affairs (MFA) and NORAD with general but reasonably clear overall policy signals, and a sound basis for further policy refinement and operationalisation.

The main problem for those who are to implement these policy signals has been the proliferation of goals for Norway's development assistance, and the lack of priorities between goals that in many cases are in conflict. This is not an unfamiliar situation for government agencies. However, the combined pressures from Parliament, NGOs and media to maximise achievements in all (mutually conflicting) priority areas of development assistance - including the urge to spend more than 1% of GNP on aid, tend to make life particularly difficult for Norwegian aid policy-makers. As maintained in chapter 3, both the very number of priorities, and the extent to which environmental goals conflict with other aid policy goals, represent a major challenge to those responsible for integrating environmental concerns into Norway's development assistance.

### 6.2.2. *Policy guidelines from the Ministry*

The main responsibility for interpreting general policies and making priorities rests with the Government and the MFA. In view of the characteristics of the overall policy signals just mentioned, this is an important but difficult task that has generally not been given sufficient priority. As a result, NORAD (the implementing agency) has been left in a policy vacuum that the organisation has been neither mandated nor staffed to fill. Conscious efforts to integrate environmental concerns in some of the country strategies partly compensates for this, but there is still need for an overall environmental strategy for Norway's development assistance. Efforts at designing such a strategy have to face squarely the relevant aid policy dilemmas and



formulate specific policy guidelines for handling challenges such as the level of environmental standards and trade-offs between the greening of aid and stimulation of recipient responsibility.

The strategy challenge should be met at four different levels: through the development of an overall environmental strategy; through country strategies; through more specific channels of advice like the annual budget letters; and finally through contributions to environmental strategy work in recipient countries - in close cooperation with domestic governments and other donors. At all levels, close cooperation is needed between MFA and NORAD.

#### *General guidelines*

The general guidelines issued by MFA consist mainly of two policy documents:

- *The Environment and Development Assistance*, issued in 1986.
- *Norwegian development assistance and the follow-up of the 1992 Conference on Environment and Development (UNCED)*, issued in 1993.

The first document was based on the 1984 aid policy White Paper, and provided a good starting point for the integration of environmental goals in development assistance. Several strategies and implementation measures were described and discussed, like the systematic use of environmental assessments (EAs), strengthening of environmental competence throughout the administration, and procedures for interministerial coordination. According to those currently responsible for environmental aid policy, however, the follow-up has been far from impressive, and its potential as a strategy document was not exploited in the following years.

The second document, issued in 1993, followed and reflected on many important policy processes and government White Papers between 1987 and 1992. New policy developments, not least the increasing focus on global environmental problems, underlined the need for a new and updated environmental strategy. That was also requested in White Paper no. 51 (1991-92). However, the 1993 MFA document, although useful as a general survey of post-UNCED aid challenges, did not make any significant contribution in terms of operationalisation and specific guidelines to NORAD on how to set priorities between goals and principles in Norwegian aid. Thus, an environmental strategy for facing key policy dilemmas and directed towards each of the aid channels is still lacking.

#### *Country-specific guidelines*

MFA may also instruct NORAD through guidelines directed towards each programme country. The quality and relevance of these guidelines have clearly improved over the years, which also holds for their environmental dimension. Although still of varying quality, the country strategies produced since 1990 provide clear priorities for the different aid channels, including



environmental policy, and are far more advanced in terms of policy direction than the previous country studies and analyses that they replace. If designed properly, like the recent Country Strategy for Tanzania (see chapter 4), these strategies can represent a sound framework for concrete policy discussions on how to incorporate environmental concerns into development assistance.

In addition to country strategies, there are several more specific ways by which MFA can convey its thinking on environmental priorities. These include the approval of guidelines for the different aid channels, through annual budget letters, and through decisions on projects that raise questions of principle. Such channels of policy advice have not been systematically applied, and it is only recently that there are signs of a more active use of this potential. Generally, the more effective and clear communication lines between MFA and NORAD, the more relevant these more specific vehicles of environmental policy clarification become.

### **6.3. The organisation of Norwegian aid and environmental challenges**

The quality of the environmental performance in Norway's development assistance critically depends on the effectiveness of the organisational response to environmental challenges. Here, main findings concerning the adequacy of current organisation and procedures are presented, while chapter 6.5. synthesises findings as to how the relevant procedures and routines have been implemented.

#### **6.3.1. *Organisation and procedures in MFA, and relations between MFA, NORAD and the Ministry of the Environment (ME)***

Between 1990 and 1995, MFA's Bilateral Department (BILAT) was responsible for direction and supervision of NORAD, while the Programme Department (PROG) handled policy work and various cross-sectoral concerns, including environmental issues. The Environment Unit in PROG did not relate closely to NORAD's operational activities, since their formal line of command went through BILAT. The limited resources in the Environment Unit (2 advisers) seem to a large degree to have been allocated to management of the Special Grant for the Environment and Development, follow-up of the UNCED process (including the production of the 1993 policy document), and participation in OECD/DAC work on relevant environmental issues.

A somewhat blurred division of labour and responsibilities between BILAT and PROG on how to relate to NORAD has led to confusion in MFA/NORAD communication on environmental policy issues. This has resulted in an unclear status of the policy signals presented to NORAD, and contributed to a process where NORAD gained in autonomy and gradually took over some



of the strategy work assumed to be handled by MFA. Such a response is fully understandable, given NORAD's policy vacuum in the absence of more clear policy signals from MFA. However, the unclear situation further strained MFA/NORAD communication on environmental issues, and also led to internal conflicts and institutional turf battles between different interests within NORAD.

In the new MFA organisational structure (Spring 1995), PROG has been dissolved and the Environmental Unit subsumed under BILAT. Environmental concerns are thus brought directly into the line of command between the Ministry and NORAD. Although it remains to be seen how this will work out in practice, the new structure brings with it a potential for better and more coordinated communication of environmental policy signals from MFA to NORAD, and generally a more effective governance of the implementing agency. Improved performance in this respect will, however, require sustained environmental competence and high priority to policy development in this area - given the considerable 'MFA policy deficit' identified and discussed above.

Since the mid-1980s, the Ministry of the Environment (ME) has been involved in a dialogue on environmental implications of Norway's development assistance. Different contact groups and the opportunity to comment on various policy documents have constituted the most important vehicles of ME input to the environmental aid policy. ME officials have generally felt the task of influencing Norwegian aid policy as an uphill battle, but seem to have become more closely integrated in policy work in recent years due to improved functioning of the existing contact groups.

Environmental expertise in external institutions is increasingly drawn upon in NORAD's efforts to integrate environmental concerns into aid activities. This concerns the two ME directorates (SFT and DN), as well as environmental research institutions, who have developed formal cooperation agreements with NORAD. Several experts interviewed felt that NORAD could do far better in involving external competence in its efforts to improve environmental performance, but at the same time acknowledged a positive trend towards more extensive consultations. Such cooperation represents a flexible and cost-effective alternative to the development of matching competence within NORAD, and could become an important supplement to NORAD's increasing quality control efforts in the environmental area.

### **6.3.2. Organisation and procedures in NORAD**

Since environmental issues entered the aid agenda in the mid-1980s, NORAD has adapted in a several ways to cope with this new cross-sectoral challenge. Environmental advisors were recruited to the technical department (FAG), and a special advisory group on environmental



issues, women, democracy and human rights (KVIM) was established in 1989, reporting directly to the Director General. At the same time (mid-1980s), work started on the elaboration of an overall environmental assessment (EA) system, which is probably the single most important organisational feature in terms of ensuring integration of environmental concerns across all aid sectors and channels. The introduction of a partial EA system in 1988 was supported by a training course in EA procedures, which is currently undertaken by NORAD's Training Centre for Development Cooperation. Several other procedural adjustments have been made throughout the 1990s in order to improve the record and integrity of the EA system. Overall, the environment is given more attention than other cross-sectoral issues in NORAD's operationalisation of aid policies, both regarding development of environment-specific manuals and checklists, and in-house capacity building.

Although these specific environment-induced arrangements are key elements in any assessment of NORAD's environmental performance, the general functioning of NORAD as an organisation may be equally important. Put simply, the more effective the structure and management of NORAD's decision-making system, the better prospects for proper integration of EA procedures in NORAD's project cycle. Until the late 1980s, NORAD was widely regarded as having a flawed organisational design, with a blurred division of labour and lines of command, and where it was virtually impossible to trace where decisions were actually made. Several reorganisations since then have significantly changed this situation. The organisational design and procedures for decision-making in NORAD is currently structured around a clear line of responsibility from the Director General through the regional departments down to the Resident Representatives in programme countries. The technical expertise, including environmental advisors, is gathered in a separate department (FAG), which holds only an advisory position. This means that FAG is only brought into the project cycle upon request from other departments.

The 1995 reorganisation of NORAD represents a further step in streamlining the organisation's decision-making system, with important environmental ramifications. In the suggested structure, technical expertise is regrouped in an extended FAG that is supplemented with advisory functions formerly placed in the NGO and industry departments. KVIM has been dissolved, and all environmental expertise is thus grouped within the same organisational unit - the new division within FAG for sustainable economic growth. Furthermore, a new unit for quality control, to be established from January 1996, may play an important role in the overall efforts to ensure proper integration of environmental concerns in Norwegian development assistance.



This evaluation has identified a number of weak points in NORAD's organisational response to the environmental challenge. They should be judged, however, in light of the virtual absence of workable policy advice from MFA.

- Notwithstanding major improvements in organisational design since the late 1980s, the general structure has not managed to accommodate environmental concerns in a satisfactory way. The environmental expertise in KVIM have felt excluded from important decision-making processes. Routines for internal communication between offices in FAG have often been poor, with different actors communicating independently with NORAD line agencies - resulting in unclear and inconsistent advice on environmental dimensions of NORAD projects.
- The separation of environmental expertise into two units, FAG and KVIM, has not functioned very well. Their mandates have been partly overlapping, communication between them has often left much to be wanted, and the dual structure has been somewhat confusing from the perspective of the recipients of environmental advice.
- Despite significant improvements in overall project management, as exemplified by the completion of the manual for programme and project cycle management in 1994, the EA system, which is integrated in the new manual, has not been satisfactorily implemented. Only about half of the examined 1994 project portfolio could document the compulsory environmental screening. Information on the implementation record is also inherently difficult to retrieve, which indicates to the need for further improvement of routines and probably for some kind of in-house control or watch-dog function to supervise EA implementation across sectors and channels.
- NORAD has made several efforts to strengthen its internal environmental competence, including an increased dialogue and cooperation with environmental expertise in external institutions. There is still a need, however, for more systematic training in the management of NORAD's EA system. Moreover, this evaluation team was not able to identify any conscious recruitment policy, and there is no information gathered on the scientific background of officials with environmental responsibilities. The environmental expertise at programme country level is excellent in some places, while in other places the combination of little time left for environmental work (1/5 of one position) and no specific environmental expertise, may not be sufficient for handling the considerable environmental challenges at this policy level. There is also a clear potential for extending and improving the environmental support functions that NORAD/Oslo is assumed to provide for NORAD offices in programme countries.



The absence of compulsory routines for consultation with environmental expertise has been a matter of dispute in discussions on NORAD's environmental performance. The main argument for compulsory consultation is that this would constitute a watch-dog function and stimulate improved EA implementation performance. On the other hand it could easily create bottlenecks, causing unnecessary delays. Moreover, the lines of responsibility for project decisions could become blurred. This has been a chronic problem in NORAD until recently and a key rationale for recent reorganisation efforts. In the absence of compulsory consultation - which is advised against at present for the reasons just stated - an alternative option would be to entrust the new division for quality control (operational from 1 January 1996) with specific responsibility for ensuring that the EA system functions according to intention.

Even more important would be to improve NORAD's general documentation system at the two first project cycle levels: project preparation and appraisal. In terms of opportunities to influence project design significantly, these are clearly the most important decision-making levels. Currently, there is no functioning documentation system at these junctures, making it virtually impossible to control NORAD's environmental record. When routines are improved in these areas, for instance in the form of a computerised documentation system, it will become far easier for environmental advisors and/or the new unit for quality control to keep track of NORAD performance.

#### **6.4. NORAD's environmental performance in practice**

The policies and guidelines for integrating environmental concerns into Norwegian aid, and the manner in which they are reflected in NORAD's organisation over the past 10 years, provide the starting point for assessing NORAD's environmental performance in practice. Importantly, as maintained in chapter 2, this report was not mandated to evaluate the actual implementation of specific projects and programmes. Rather, the far more moderate aim here has been to assess how the procedures and routines established to ensure environmental integration in aid projects are followed up in day-to-day NORAD activities.

Due to the overall complexities of the environmental challenges to development assistance, there is no clear-cut indicator for measuring NORAD's implementation record. In chapter 5, we assess efforts to quantify the percentage of 'green' aid compared to total aid levels are assessed, but warn that such calculations are close to being exercises in futility. If given much attention, they may even give wrong policy signals, since such statistics are not able to capture the essence of NORAD's environmental challenge: the integration of environmental concerns into all development assistance activities. For these and other reasons, the following pages present a qualitative summary of how environmental procedures and routines are followed up in the main channels of Norway's development assistance.



#### 6.4.1. *The system for environmental assessment (EAs )*

NORAD was first instructed in White Paper no. 36 (1984-85), and in several subsequent White Papers, to introduce procedures for environmental assessment of aid projects. NORAD was rather slow in responding to this requirement. Work on an EA system was initiated in the mid-1980s, but the present system was not completed until 1994. Today's three-step EA procedure is, however, a very useful instrument for detecting and evaluating potential environmental impacts of NORAD-funded projects.

As shown above, the EA system has still not been properly implemented. Routines for the documentation of EA performance are not in place. For country and regional programmes, less than 50 % of the examined 1994 project portfolio could document the compulsory environmental screening required by the new project cycle manual. The Industrial Development Department (I&N) has a far better record, however, with about 90 % score on the same test (excluding feasibility studies). With some exceptions, NGO projects are generally less directed towards environmentally sensitive areas. Still, section 6.5. below present recommendations for improved EA routines for also for this channel.

I&N's good EA implementation record is significant (even at this late level in the project cycle), since this is the channel where one is likely to find the most serious environmental ramifications of Norwegian aid activities. Documentation of initial screening is a necessary, but far from sufficient, condition to ensure proper integration of environmental concerns. Other important factors are the quality of judgements made in the initial EA phase and the quality and integrity of full-scale environmental impact analyses (EIAs). Even more important is that EAs be performed as early as possible in the project cycle, and that full-scale EIAs come early enough to impact on decisions and outline alternatives to existing environmentally harmful project designs. This is an inherently difficult challenge which bilateral as well as multilateral agencies have big problems in coming to terms with (see annex 2 for a discussion of the World Bank record so far). One avenue to pursue in this regard would be to commission country- or region-based environmental studies of particular sectors - like energy, industry, agriculture or forestry. Such studies may provide strategic information useful in formulating a precautionary approach to further development assistance in each sector. Donors like the World Bank are already financing such studies, so care should be taken to ensure effective donor coordination in this area.

The following conclusions regarding these various EA aspects are tentative, given that the TOR do not request the evaluation team to study individual projects and programmes:



- Nothing but a close to 100 % score on documented EAs on each NORAD-financed project is acceptable, even if a large share of these projects can be assumed not to be problematic from an environmental point of view.
- Like other bi- and multilateral donors, NORAD has a long way to go before EAs and EIAs are made early enough to really influence project implementation.
- General staff competence on how to operate the EA system is still not good enough; this should be corrected through the EA training course run by NORAD's Training Centre for Development Cooperation.
- Full-scale EIAs seem to be carried out on most projects with assumedly serious environmental implications. Procedures as well as the quality and content of many EIAs are contested, and there is scope for improvement in this respect. The 1993 procedures that restrict the task of performing EIAs to companies without economic interests in the project (amended 1994), seem to be followed up - although with a certain timelag after the directive was issued. There are also examples of more substantive 'grey area cases', however, which call for further clarification of the procedures in question. It should be stressed, however, that no directive in this area can substitute for the need for EIA quality control by NORAD's environmental advisors or external expert agencies engaged by NORAD.

#### **6.4.2. *Country and Regional Programmes***

The Country Strategy and the annual Activity Plan for each programme country is probably the most important instrument for both MFA and NORAD as regards the implementation of overall goals and strategies. The annual plans contain a description and discussion of all sector programs and projects supported through government-to-government cooperation. Environmental concerns have since the late 1980s increasingly been integrated into these exercises - although with considerable variations across countries. Projects promoting improved resource management constitute an important part of Country Programmes as well as Regional Programmes.

In several countries, NORAD has been in the forefront in supporting the development of national environmental strategies - most notably so in Sri Lanka. Here, the strategy document elaborated in cooperation with national authorities helped to catalyse a process towards a National Environmental Action Plan, with funding responsibility gradually shared with other donors like the World Bank. Resources provided through the Special Grant for the Environment and Development have been instrumental in providing local NORAD offices with



considerable scope for action in environmental policy, including the potential to support environmental NGOs and research communities.

Visits to Sri Lanka and Tanzania have left the impression that NORAD is far more consistent than many other donors in its efforts to build capacity and enhance domestic government ownership of environmental policies and programmes. This implies, for instance, greater patience in working with and through still very weak domestic environmental institutions, and consequently restraint in establishing separate structures beyond local government control.

#### **6.4.3. *Projects supported by the Industrial Development Department***

Projects funded by the Industrial Development Department (I&N) are generally more likely to have serious environmental impacts than projects in other Norwegian aid channels. As already indicated, however, I&N has established and basically seems to follow procedures ensuring that environmental assessments are made and documented in Appropriation Documents.

The Technical Department (FAG) is consulted on a regular basis by I&N. However, due to the before-mentioned lack of coordination within FAG, there has been no guarantee that e.g. the Energy Division will consult with the environmental advisers on environmentally sensitive energy projects within I&N's portfolio.

Most controversies involving industrial projects seem to concern the quality of full-scale EIAs. Disagreements seem to arise regularly on the content and quality of EIAs, and accordingly whether EIAs provide an appropriate basis for final decisions on the fate of the projects in question. On the one hand, there is scope for improvement in EIA routines and implementation. On the other hand, (Norwegian) controversies over whether sufficient care has been taken to scrutinise all possible environmental implications serve to illustrate dilemmas concerning recipient responsibility and the extent to which local government or Norwegian/international standards should apply in the respective developing countries.

Specific procedures have been established, requiring Norwegian EA standards to be followed in all project preparations within the hydro-power sector. Importantly, this applies only to decision-making routines, and not to actual decisions on whether projects should be given the go-ahead. In the industrial sector, moreover, NORAD is assumed to finance the additional costs involved in meeting international environmental standards. Overall, however, no clear guidelines exist regarding which standards or criteria to apply for the highly judgemental decisions in these areas. As a result, a fair amount of confusion exists within NORAD concerning the present operational practices.



#### 6.4.4. *Support through NGOs*

NGO projects are not subject to NORAD's regular project cycle. The NGO Unit has established other procedures to ensure that environmental impacts are assessed, based on the principle that the NGO in question is responsible for integrating environmental concerns in project preparation and implementation. When applying for funding for single projects, NGOs have to give an account of possible environmental implications. If NORAD finds that the information is insufficient, they may request further documentation.

However, most NGO projects are funded through framework agreements (two thirds of the bilateral NGO support). NGOs do not have to assess environmental consequences of each project within the framework agreement. In these cases NGOs are responsible for the environmental assessments. Of course, NORAD still has the opportunity to withhold funding if they for some reason or another mistrust NGO judgements in the environmental field. However, due to limited administrative capacity, the system is based on a relationship of confidence between NORAD and the respective NGOs. The basic question then becomes whether NGOs do have reliable internal procedures and competence to assess the potential detrimental environmental impacts of their projects.

The dominant part of development assistance channelled through private organisations is unlikely to have significant negative effect on the environment. However, NGOs are also engaged in rural development projects which include agriculture, fishery and forest management with potential environmental implications. Environmental expertise to advise the NGOs is to some extent available for projects funded through the Sudan - Sahel - Ethiopia Programme through the agreement with NORAGRIC.

However, due to the lack of documentation of NGO procedures and competence, and the large number of small-scale projects more or less beyond NORAD control, it is hard to assess whether NGOs adhere to NORAD's environmental procedures. Strictly speaking, a large share of the NORAD-funded NGO portfolio fails to meet the formal EA requirements adopted by Parliament in the mid-1980s.

### 6.5. Recommendations

#### 1) *Cross-sectoral integration*

Address the environment as a genuine inter-sectoral issue, which will imply integrating environmental concerns into all projects and across all aid sectors. Avoid having increased priority to environmental issues move donor attention away from environmentally sensitive sectors like infrastructure and industry. Plan for a full



integration of the Special Grant for the Environment and Development into mainstream aid activities.

2) *Sustainable resource management*

Continue giving priority to the major environmental challenge of poor developing countries: sustainable management of natural resources. Aid should focus on sound management of agriculture, off farm resources, forestry, wildlife, water and the energy sector. In addition, local air and water pollution that seriously affect people's wellbeing should be addressed. Thus, overall attention should continue to be directed to local environmental problems. Global issues should be addressed only where there are clear local benefits, as with some biodiversity projects.

3) *Domestic ownership*

Encourage domestic ownership of environmental management in recipient countries as a crucial precondition for sustainable development. Without domestic ownership, any environmental aid strategy is ultimately bound to fail. Ensure that support for NGOs, research institutions and consultancies does not run counter to the primary task of strengthening governmental institutions. In building institutional capacity, particular attention should be paid to environmental legislation and the need for improvements in the general scientific basis for environmental policy.

4) *Donor coordination*

Contribute to improved donor coordination. Most donors today have the environment high on their agenda, but tend to give priority to own pet projects or to high-visibility (and often low-impact) projects more or less independent of recipient priorities. Particularly in the most aid-dependent countries, this calls for increased efforts to coordinate activities. National Environmental Action Plans (NEAPs), plans for Agenda 21 follow-up, and National Conservation Strategies represent important umbrellas for donor activities, and should continue to be given high priority and support by Norwegian aid.

5) *Environmental strategy*

Develop an overall environmental strategy that faces squarely the main challenges and dilemmas that a well-designed environmental policy will have to face. Such a strategy should provide NORAD with greater operational guidance and constitute a starting point for integrating environmental concerns into regular activities across all aid channels. In particular, clearer guidance is needed on which environmental standards to apply: Norwegian, recipient government or other. An overall strategy should also address trade-offs between the greening of aid and efforts to enhance domestic ownership of projects



and policy formulation. Moreover there is a need for further clarification on how to cope with the proliferation of Norwegian aid goals and the absence of a clear-cut hierarchy of goals.

6) *Quality control*

Entrust the new unit for quality control with specific responsibility to monitor NORAD's environmental performance, in particular the effectiveness of EA implementation. Ensure that the new unit has sufficient authority, integrity and staff to take on such tasks, and encourage close cooperation with environmental advisers in FAG.

7) *External expertise*

Continue and expand the close cooperation between NORAD and environmental expertise in other government directorates and research institutes. Encourage increased environmental research cooperation between Norwegian and developing country institutions.

8) *Streamlining organisational structures*

Capitalise on current organisational reforms in MFA and NORAD, and the options thus provided for improving the decision-making process - in general and also in the environmental field. Improve documentation routines, particularly at the early stages of the project cycle. Ensure clearly defined lines of communication within and between MFA and NORAD, and proper consultation routines with internal as well as external environmental expertise.

9) *Competence building in the aid administration*

Strengthen environmental competence in the Norwegian aid administration by ensuring that all relevant aid officials can handle the environmental assessment components of the project cycle. In view of the unavoidable capacity constraints on NORAD's environmental advisers, it is important that resources are used cost-effectively. In FAG, attention should concentrate on three main issues:

- projects with severe environmental impacts;
- training and awareness-raising of operating staff through EA courses held at NORAD's Training Centre or at embassies in Norway's programme countries. An environment specialist in FAG should be made responsible for training and implementation of the EA procedure throughout NORAD, and
- strengthen the advisory role vis a vis NORAD officials and cooperating partners working in the (broad) area of natural resource management.



Today, the EA course emphasises steps 2 and 3 of the EA procedure. The course should focus more on the initial screening process, in order to ensure that the potential environmental impacts of all projects are assessed as early as possible, and that all projects are handled according to existing procedures. The course should thus be aimed primarily at task managers at the embassies and other staff responsible for initial screening of projects. For these officials, the course should be made mandatory.

#### 10) *The EA system*

Significantly improve implementation by ensuring that all projects are routinely screened and classified at the earliest possible stage in the project cycle. Experience from other aid agencies indicates that the most critical factor for effective EA procedures is timing. There is a tendency to spend considerable resources on producing comprehensive detailed reports with no implications for project design. One reason is that reports are prepared too late in the project cycle, when key choices concerning project design have already been made, and can no longer be modified or altered. A rough screening of environmental impacts under project identification is often far more productive than comprehensive full scale EIAs at a later stage, even if such EIAs may be crucial in projects with major environmental implications.

The following measures are needed to improve EA procedures in NORAD:

i) More emphasis on the initial screening of projects.

All projects (including NGO projects) should be classified in three categories according to their assumed environmental impacts:

Category 1 = no significant environmental impacts, initial screening sufficient

Category 2 = some environmental impacts, rough analysis needed

Category 3 = severe environmental impacts, full EIA needed

No project preparation documents (the first stage in the project cycle) should be approved in the absence of such categorisation, and documentation routines should be significantly improved in order to allow for control of NORAD performance in this area.

ii) Initial environmental screening and classification to take place during project identification and preparation.



- iii) If conducted early enough in the project cycle, full-scale EIAs can make important contributions to the design of environmentally sensitive projects. Care should be taken, however, to avoid proliferation of EIAs if the need for such studies is not documented.
- iv) Advise recipient governments to ensure independence between consultants with economic interests in project implementation and those assigned to undertake EIA studies. Ensure proper assessment of all EIAs by NORAD's environmental staff or external expertise.
- v) Involve NORAD's environmental expertise in the formulation of TOR for EIAs, in cooperation with local experts and external consultants.
- vi) Contribute to competence building in the recipient countries and domestic involvement in EA practices, for instance by working together with other donors on EA/EIA training courses at national or regional levels. The longer term aim of this learning process should be to qualify governments and independent institutions in recipient countries to take full responsibility for the tasks mentioned in iv) and v) above.
- vii) Sectoral and regional EAs should be made to facilitate long-term policy planning and to identify possible cumulative effects of several projects. Capitalise on such efforts made by other donors, and encourage further donor cooperation.



## References

CICERO and Shirkat Gah, 1992, *A Background Study For NORAD's Environmental Action Plan in Pakistan*, Oslo

Eriksen, Tore Linné, 1987, *Den vanskelige bistanden*, Universitetsforlaget, Drammen

FIVAS, 1994, *Kraft og konflikter - norske vannkraftutbyggere i den tredje verden*, Oslo

NORAD, 1995, *Guidance to the statistical classification of Norwegian development assistance measures*, Oslo

NORAD, 1994, *Manual for programme and project cycle management*, Oslo

NORAD, 1993, *Environmental Action Plan for Botswana*, Oslo

NORAD, 1989 a, *Environmental study of Sri Lanka*, Oslo

NORAD, 1989 b, *Environmental Aspects of Norwegian Assistance to Kenya - Strategy Paper and Action Plan*, Oslo

Norconsult, 1992, *Environmental Profile for Tanzania*, Oslo

Nordisk Utredning, NU 1982:9, *Miljø och bistånd*, København

Norges Offentlige Utredninger, NOU 1995:5 *Norsk Sør-politikk for en verden i endring (Norwegian South-policy in a changing world)*, Oslo

Norwegian Ministry for Development Cooperation, 1984, White Paper no. 36 (1984-85), *Om enkelte hovedspørsmål i norsk utviklingshjelp (Some major questions in Norwegian development assistance)*, Oslo

Norwegian Ministry for Development Cooperation, 1987, White Paper no. 34 (1986-87), *Om enkelte hovedspørsmål i norsk utviklingshjelp. Tilleggsmelding til St.meld.nr.36 (1984-85) (Major questions in Norwegian development assistance - Supplement to White Paper nr. 36 (1984-85))*, Oslo

Norwegian Ministry of the Environment, 1989, White Paper no. 46 (1988-89), *Miljø og utvikling. Norges oppfølging av Verdenskommisjonens rapport (Environment and development - Norway's follow-up of the World Commission Report)*, Oslo



- Norwegian Ministry of Foreign Affairs, 1993 b, *Evaluering og resultatsoppfølging i bistanden. Håndbok for beslutningstakere*, Oslo
- Norwegian Ministry of Foreign Affairs, 1993, Evaluation Report 1.93, *Internal learning from evaluations and reviews*, Oslo
- Norwegian Ministry of Foreign Affairs, 1992 a, Rapport til Utenriksdepartementet, September 1992 *Verdensbankens rutiner for miljøkonsekvensanalyser*, Oslo
- Norwegian Ministry of Foreign Affairs, 1992 b, Evaluation Report 2.92 *Evaluation of the Sudan - Sahel - Ethiopia Programme*, Oslo
- Norwegian Ministry of Foreign Affairs, 1992, c, White Paper no. 51 (1991-92), *Om utviklingstrekk i Nord-Sør forholdet og Norges samarbeid med utviklingslandene (Development in North South Relations and Norway's cooperation with the developing countries)*, Oslo
- Norwegian Ministry of Foreign Affairs, 1993 a, *Norsk utviklingshjelps oppfølging av FNs konferanse om miljø og utvikling, UNCED*, Oslo
- Norwegian Ministry of Foreign Affairs, 1991, Evaluation Report 5.91 *The special Grant for Environment and Development*, Oslo
- Norwegian Ministry of Development Cooperation and Ministry of the Environment, 1996, *Miljøvern og utviklingshjelp*, Oslo
- Norwegian Ministry of Foreign Affairs, 1980, *Development Assistance and Ecology*, Oslo
- OECD/DAC, 1994, *Statistical reporting directives*, Paris
- OECD, 1992, *DAC principles for effective aid*, Paris
- Scanteam International A/S, 1990, *Environmental strategy for NORAD in Bangladesh*
- Schram, Gunter and Jeremy J. Warford (eds.), 1989, *Environmental Management and Economic Development*, The Johns Hopkins University Press, London
- Serageldin, Ismail and Andrew Steer (eds.), 1994, *Valuing the Environment. Proceedings of the First Annual International Conference on Environmentally Sustainable Development*, World Bank, Washington DC
- Stokke, Olav (ed.), 1991, *Evaluating Development Assistance*, Frank Cass & Co. Ltd., London



Swedish Ministry of Foreign Affairs, 1994, *Hållbart bistånd - det svenska biståndet efter UNCED, Vol. 1 and 2*, Stockholm

World Bank, 1992, *World Development Report 1992*, Washington DC

World Bank, 1995, *Environmental Assessments - Challenges & Good Practise*, Washington DC







Environmental Assessments:  
The World Bank's Experience

Olav Kjørven

August 1995







## Background

1. Over the past decade, environmental assessment (EA) has moved from the fringes of development planning to become a widely recognized tool for sound project decision making. Governments, development institutions such as the World Bank, NGOs and, increasingly, the private sector, have established EA policies and procedures and are implementing them in a wide range of development projects.<sup>1</sup> This is significant progress because it means that major investment decisions are increasingly made taking potential environmental consequences into account, albeit at varying degrees of diligence.

---

### 1 The World Bank's definition of "Environment"

"The natural and social conditions surrounding all organisms, particularly humankind, including future generations. Environmental concerns encompass not only the natural environment (air, water and land), but also human ecology and health and safety, and sociocultural issues such as cultural heritage, indigenous peoples, new land settlement, involuntary resettlement, and induced development."

This definition is broad and has probably allowed too many projects to be labelled as "environmental" in nature. On the other hand, it has also helped ensure that critical social and socio-economic issues have been addressed more comprehensively in project work and analyses such as EA.

---

2. Despite its bad environmental reputation among many outside observers, the World Bank is in a leading position in terms of applying EA to the preparation of development projects.<sup>2</sup> Between October 1989, when the Bank's *EA Operational Directive*<sup>3</sup> was implemented, and June 1995, more than one thousand World Bank projects were screened for their potential environmental impact. This figure includes 82 approved Category A projects (roughly 10 percent of approved projects), which required full environmental assessments, and

---

<sup>1</sup>For an overview of EA requirements of multilateral development banks, see, for example, *Proceedings: EA Technical Workshop for Multilateral Financial Institutions*, The World Bank, September 1993. For an overview of national, bilateral and multilateral EA guidelines and regulations, see IIED/IUCN/WRI: *A Directory of Impact Assessment Guidelines*, June 1995.

<sup>2</sup>See *Environmental Assessment: Challenges and Good Practice*, Environment Department Working Paper, June 1995, World Bank.

<sup>3</sup>Operational Directive (OD) 4.00--Annex A, amended as OD 4.01 in 1991.



419 Category B projects (roughly 40 percent), which were submitted to more partial EA.<sup>4</sup> The balance was made up of Category C projects, which require no EA. The Bank's EA experience spans most sectors (energy development, power, agriculture, water supply and sanitation, urban development, mining, etc.), virtually all borrowing member countries, and a wide array of project types.

3. The implementation of the EA OD was perhaps the strongest indication to date of the Bank's relatively new environmental commitment, tying directly in with the process of preparing investment projects and introducing environmental clearances at key stages in the project cycle. Strengthening the effect of the EA OD, other environmental policies have been introduced or strengthened that also spin around the EA/project cycle: natural habitats, forestry, cultural property, resettlement, indigenous people, dams and reservoirs, agricultural pest management, and water resources management. Non-environmental policies, such as on adjustment lending and economic analysis, have also incorporated environmental aspects.<sup>5</sup>

4. While the Bank has come a long way in mainstreaming environmental concerns into its day-to-day operations, perhaps farther than any other major development institution, major challenges remain. Important lessons have been learned through a recent review of the Bank's EA experience, covering the last three fiscal years (1993-95), lessons that are already leading to adjustments in procedures. Interestingly, the problems and shortcomings identified in this review are similar in many ways to those experienced elsewhere, in developed as well as developing countries.<sup>6</sup> These issues should be particularly relevant to the analysis of NORAD's experience and to the formulation of recommendations for this agency.

### **Purpose of EA at the Bank**

5. The Bank defines EA more as a process than a product (i.e., report). The EA process, whether for a Category A or B project, should proceed in tandem with the project cycle and feed into the preparation of the project. The report is meant to state the results of this process, highlighting the things that need to be done before and during implementation.

6. The ultimate aim of EA is to safeguard ecological functions and ensure responsible use of natural resources. EA should help improve project decisionmaking and ensure that project

---

<sup>4</sup>EA for a Category B project may vary from project to project, but is generally narrower in scope than Category A EA. A proposed project is classified as Category B if its potential adverse environmental impacts are site-specific in nature and do not significantly affect human populations or alter environmentally important areas, such as mangroves, wetlands, coral reefs or tropical moist forests. Few if any of the impacts are irreversible, and mitigatory measures can easily be designed.

<sup>5</sup>In 1993, all existing ODs began to be revised and incorporated into a new system of operational policies and Bank procedures. The new system comprises three categories of directives: Operational Policies (OP), Bank Procedures (BP), and Good Practice (GP). The EA OD is soon to be issued in this new format.

<sup>6</sup>See, for example, Ortolano, L. & A. Shepherd: *Environmental Impact Assessment*, in Vanclay, F. and D. Bronstein (eds.): *Environmental and Social Impact Assessment*, John Wiley & Sons, New York, 1995.



options under consideration for Bank financing are environmentally sound and sustainable. EA evaluates a project's environmental impacts in its area of influence and identifies ways of improving project design and implementation by preventing, minimizing, mitigating or compensating for adverse impacts and enhancing positive impacts. The Bank favors preventive measures over mitigatory or compensatory measures, whenever feasible.

7. EA is today broadly considered as a key part of the preparation process for a broad range of project types, in line with other feasibility studies (e.g., engineering, economic, financial analysis). Given the fact that the Bank supports many large-scale infrastructure projects in sectors such as energy, transportation and urban development, the need for full-scale, comprehensive EA studies is probably more often present than for many other development agencies.

8. Conventional project-specific EA is not the only instrument actively used by the Bank to promote environmentally sustainable development. The EA OD itself stipulates that more "upstream" forms of EA--sectoral and regional EA--are appropriate for certain situations, particularly to address policy and institutional aspects, alternatives, and cumulative impacts more effectively (see, for example, *EA Sourcebook Update no. 4: Sectoral Environmental Assessment*.) Beyond EA, the Bank increasingly integrates environmental factors into its *Economic and Sector Work* for different countries, and promotes the development of *National Environmental Action Plans*, and other macro-oriented environmental strategies and plans. In the area of adjustment lending, the Bank is piloting the use of an environmental "Action-Impact Matrix", which is a kind of impact evaluation curtailed for policy changes (e.g., subsidy cuts). Finally, returning to specific investment projects, special instruments such as social assessments, environmental audits and hazard assessments are increasingly promoted on a case-by-case basis. The Bank's experience has been that it is important to keep EA requirements flexible enough as to allow for the use of such special instruments, that are often more appropriate in certain project contexts.

9. EA, as understood by the Bank, is also a tool for engaging local populations in project design and execution, in order to build local "ownership" of a project and ensure that local concerns are addressed. The EA OD requires information to be shared with affected people at an early stage of preparation, and that there be a process of consultation as part of the EA.

### **EA in Relation to the Bank's Project Cycle**

10. Figure 1 illustrates the environmental assessment process in relation to the Bank's project cycle, for Category A and B projects. Box 2 offers brief description of the five main stages of the EA process, while Figure 2 illustrates how different units at the Bank have different EA responsibilities. Other multilateral development banks have very similar processes, as do bilateral agencies of countries such as Canada, the Netherlands and the United States.

11. In a comparative perspective, the Bank's EA requirements are relatively detailed and stringent. However, they do allow for some flexibility in interpretation, to take account of different project circumstances across countries and sectors. For example, a wide range of options are open within the Category B classification. The critical, non-negotiable parts of the EA OD are:



- All projects have to be classified into one of the three categories during environmental screening, thus ensuring that all projects are screened for potential environmental impact.
- For Category A and B projects, the environmental analysis has to be completed prior to project appraisal (with the exception of certain types of "programmatic" operations involving subprojects that are identified during later stages). This ensures that environmental aspects are fed into the appraisal process. As a general rule, the Bank's appraisal mission only departs once an EA has been received and reviewed and found satisfactory.
- EA findings and recommendations have to be worked into project design and into legal agreements with the borrower, in some appropriate form (again, there is considerable flexibility in terms of how this is done).
- As part of the EA process, affected people and local NGOs have to be consulted. This should happen at least twice: (i) during the preparation of EA TORs; and (ii) once a draft EA report has been prepared.

---

## 2 The Environmental Assessment Process

The EA process is built into the Bank's project cycle as an integral part of project design and implementation. Acting as advisor throughout the process, the Bank works to ensure that EA practice and quality are consistent with EA requirements and that the process feeds effectively into project preparation and implementation. The main EA-related steps in the project cycle are described below.

**Screening.** To decide the nature and extent of the EA to be carried out, at this first stage the Bank team determines the nature and magnitude of the proposed project's potential environmental and social impacts, and assigns the project to one of three categories. Category A requires a full EA for projects expected to have adverse impacts that may be sensitive, irreversible, and diverse. Category B requires some environmental analysis and is assigned to projects with impacts which are less significant, and not as sensitive, numerous, major or diverse. Few if any of these impacts are irreversible, and remedial measures can be more easily designed. Category C projects require no EA or other environmental analysis. Projects with multiple components are classified according to the component with the most significant adverse impact.

**Scoping and Terms of Reference.** Once a project is categorized, a scoping process defines the project's likely environmental impacts and area of influence more precisely and develops Terms of Reference for the EA. As part of the scoping process, information about the project and its likely impact are disseminated to local affected communities and NGOs, and followed-up with consultations in order to focus the EA on issues of concern at the local level.



**Preparing the EA Report.** A full EA report is comprised of eight main components: an executive summary; a concise project description of the geographic, ecological, social and temporal context of the project; baseline data including assessment of the study area's dimensions and description of physical, biological and socio-economic conditions; an impact assessment that identifies and assesses the likely positive and negative impacts of the project; analysis of alternatives, from an environmental perspective; mitigation or management plan that identifies implementation and operational measures to eliminate, offset or reduce adverse environmental impacts; an environmental monitoring plan; and public consultation with affected groups and NGOs during at least the scoping and EA review stages.

**EA Review and Project Appraisal.** Once the EA draft is complete, the borrower submits it to the Bank for review by environmental specialists. If the EA is agreed as satisfactory, the Bank project team can proceed to project appraisal, which includes, for instance, review of the EA, assessing institutional capacity for environmental management, and ensuring adequate budget for the mitigation plan.

**Project Implementation.** The borrower is responsible for implementing the project according to agreements derived from the EA process. The Bank supervises the implementation of environmental aspects as part of overall project supervision.

---

12. Compared with NORAD, the Bank's requirements in the area of EA are certainly tough and elaborate. The requirements are stated in a way that place demands on both borrowing countries and the Bank's own staff, throughout the project cycle. Sanctions are in place to ensure compliance with the requirements. It is symptomatic that the EA OD in and of itself made necessary a dramatic increase in Bank environmental staffing, with explicit responsibilities in the areas of EA quality control and technical support, and encouraged many borrowing countries to adopt their own EA regulations and build environmental institutional capacity. The Bank's EA requirements have also contributed to the growth of the environmental consulting industry, both at the international level and within borrowing member countries.

13. One could argue that the Bank needed such "tough" EA requirements more than NORAD, given the differences of quantity, scale and types of projects. Relatively few NORAD financed projects have potential environmental risks at the level of many Bank-financed projects. However, in order to be credible in the area of environmental management, one needs--whether projects are small or large and have large-scale or minor impacts--an established, orderly process involving points of convergence between project preparation and the EA process whereby the EA is appropriately initiated, the quality of EA work is ascertained, and EA findings incorporated into project design and reflected in conditionalities and sanctions. *Effectiveness* of the EA is the key issue, and it depends on the relationship between the EA as a process and overall project preparation and project approval processes. As discussed in more detail below, the Bank has learned some important lessons in this area over the last couple of years.



---

### **3 Are EA Categories Needed?**

"The natural and social conditions surrounding all organisms, particularly humankind, including future generations. Environmental concerns encompass not only the natural environment (air, water and land), but also human ecology and health and safety, and sociocultural issues such as cultural heritage, indigenous peoples, new land settlement, involuntary resettlement, and induced development."

This definition is broad and has probably allowed too many projects to be labelled as "environmental" in nature. On the other hand, it has also helped ensure that critical social and socio-economic issues have been addressed more comprehensively in project work and analyses such as EA.

---

### **4 The Asian Development Bank: "Initial Environmental Examination"**

The Asian Development Bank (AsDB) has a project and EA cycle that in most ways is very similar to that of the World Bank. However, there is one important difference: For Category A and B projects, the AsDB undertakes an "Initial Environmental Examination" (IEE) following screening.

The IEE is essentially a short report (10-20 pages) assessing the likely environmental impacts and proposing mitigation measures. For a project initially classified in Category A, the IEE confirms whether this is appropriate and sets the stage (as an important input to the terms of reference) for the subsequent EA. Or, the IEE may show that the A classification is not necessary, in which case the IEE becomes the EA documentation for the project. Vice versa, for a Category B project, the IEE confirms the classification and determines the appropriate measures, or results in a reclassification to A, in which case a full EA has to be undertaken by the borrower.

This approach provides flexibility, while ensuring that each project is subject to some level of environmental analysis. The IEE can also be used to assess the need for other types of environmental analytical instruments, such as environmental audit or risk assessment. The main weakness of the system is perhaps that it leaves the donor agency responsible for all environmental analysis for Category B projects.

---

14. Turning from process to contents of EA, the Bank requires coverage of certain key elements in a Category A EA report. For Category B projects, the areas covered will depend on the environmental issues faced, but the Bank reviews the EA Terms of Reference (TORs) to ensure that relevant issues are addressed.

#### **The Impact of EA on Bank Operations**

15 The recent review of the Bank's EA experience has identified a number of concrete results of the EA OD, as well as discussed remaining challenges and areas where more efforts are needed (for a more complete discussion, see *Environmental Assessment: Challenges and*



*Good Practice*, Environment Department, June 1995).

*Positive results*

- The EA requirements of the Bank have encouraged the development of requirements and capabilities in many borrowing member countries and contributes to general build-up of knowledge about environmental conditions at the local as well as national levels.
- The EA OD has contributed to a dramatic increase in environmental awareness and knowledge within the Bank.
- EA routinely helps reduce a project's potential environmental impacts, by identification of alternative location or design features, or (more often), by proposing mitigation measures.
- The EA OD ensures that all investment projects are subject to some level of environmental scrutiny, and has brought environmental staff into the picture at key decision points in the project cycle.
- EA, through environmental screening, has resulted in a "weeding out" of environmentally damaging projects at an early stage, or to redefinition of projects to make them less damaging or even environmentally beneficial.
- EA, despite shortcomings, has provided an arena for local, public involvement in project design and execution.
- EA helps project implementation through the development of mitigation, monitoring and management plans (although such plans are not always of optimal quality).
- EA has reduced the number of projects that are environmentally controversial.
- The separation of responsibilities between units that promote projects (and EA as part of project preparation) on the one hand and units that review EA documents and the process as a whole (the Regional Environment Divisions) has worked quite effectively and has helped ensure a degree of objectivity in review and clearance functions.

*Remaining challenges*

- Despite efforts to the contrary, too many Eas are still carried out too late in the project cycle, and are not sufficiently in sync with overall project preparation. The result is that the EA often has less influence on project design than what is desired. Sectoral EA is currently seen as a solution with the highest potential, in terms of getting environmental issues on the agenda in the earlier phases of planning and addressing them in a comprehensive way rather than project-by-project.
- While environmental screening is well institutionalized, there is a need to strengthen location-specific conditions relative to a project as the main basis for determining the appropriate level and type of EA. Too often, project type becomes the main variable for deciding on a given classification, and categories become the center of attention rather than the potential environmental issues and how to best address them.



- There is a need to improve review of EA TORs to ensure that the major issues are appropriately covered. The involvement of environmental specialists should be rather intense at this critical stage. In this context, selection of EA consultants should be undertaken with great care.
- The quality of EAs is still variable, although improving over time. Main weaknesses are in the areas of (i) analysis of alternatives and (ii) public consultation. Frequently, cumulative and indirect impacts are also poorly addressed, and monitoring plans are too often weakly developed.<sup>7</sup> Insisting on the use of a strong multidisciplinary EA team is perhaps the most important solution, together with careful review of TORs.
- Incorporating the results of the EA process into a project's design and implementation plan is still a challenge, although considerable progress has been made. There needs to be stronger efforts to (i) convert EA findings into clear deliverables (with schedule, responsible parties, costs, etc. elaborated), (ii) reflect these in legally binding agreements (conditions and covenants); and (iii) work them into contract and bidding documents. There is a danger in focusing too much attention on reviewing the quality and coverage of an EA report, at the expense of ensuring that the EA as a process influences project preparation and binding project documentation. Greater use of "upstream" forms of EA (sectoral and regional EA) is also needed, as a way to more thoroughly influence project selection and early design upstream.
- Monitoring and supervision during project implementation is a growing challenge, as more and more projects are moving into the implementation stage. Cost-effective ways to ensure compliance and good practice during implementation have to be designed, drawing to the extent possible on local resources.
- There is a need to promote instruments such as environmental audits and risk assessments, since many projects raise environmental issues that are not best addressed in traditional EAs. Rigid insistence on meeting certain content requirements can be counterproductive.
- There is still a heavy reliance on international consultants to do EA work. Capacity building in developing countries is still needed.
- While important lessons are being learned in the area of private sector development, privatization, and lending through financial intermediaries, more efforts are needed to make the EA process meaningful and effective for such projects.
- Biodiversity is still a recurring weak spot in EA work. EA teams, often times with an engineering bias, frequently overlook impacts on biodiversity or have cursory treatment of such impacts. Other natural resource management issues are also often

---

<sup>7</sup>Monitoring plans need to carefully select variables to be monitored on the basis of the impacts identified and their proposed mitigation measures, in order to be effective. Too often, monitoring plans are not specific enough and prescribe monitoring of factors that provide limited information about project performance and actual impacts.



treated poorly.

- The treatment of social issues in EA (indigenous people, resettlement, other social impacts of development) is a matter of current debate. Should social aspects be subject to a separate assessment process, or should they be integrated into the EA? Currently, many social scientists feel that EAs treat social issues poorly, and that the only solution is a separate process. Others argue that EAs that do not include the social/human dimension are illegitimate and that another "hurdle" to jump is the last thing the Bank's overworked task managers need.

---

## **5 Analysis of Alternatives: Why is it difficult and what can be done?**

Making EA a more proactive instrument by seriously considering alternatives from an environmental enhancement perspective is far more difficult than concentrating merely on avoiding or minimizing negative impacts of a given proposal. Reasons commonly cited for the continuing problems are:

- (1) The EA OD calls for analysis of "the proposed" alternatives, in other words alternatives that have been presented for consideration over the course of project preparation. However, in many projects no alternatives are proposed. Unless specifically told to suggest and consider alternative investment possibilities, EA consultants will then frequently consider only the go/no-go options.
- (2) Timing may be a serious constraint as the Bank's project preparation process may not be completely in sync with the planning process of borrowing countries. In many cases, major design decisions have already been made by the time the Bank becomes involved.
- (3) There is more at stake for the particular institutions involved as soon as project and program design is discussed and EA consultants and the Bank may have limited leverage in these regards.
- (4) Many borrowers do not emphasize analysis of alternatives in their own EA requirements.
- (5) Serious analysis of alternatives, including economic analysis of environmental costs and benefits, requires specialized skills on the part of EA consultants; many countries and (local) EA consultants do not yet have this capacity.



Points 1 and 2 may be particularly important. Most EAs are carried out at a stage in the borrower planning process when the major decisions in terms of design and location have already been made. The main alternatives which may still be available are go/no-go as far as Bank financing is concerned, or more limited technological or operational options (including for mitigation, monitoring and management). These downstream planning issues are important as they may alter the nature and significance of project environmental impacts, but EAs should ideally also address and influence the upstream planning process.

Partly in order to address points 1 and 2, sectoral and regional EAs are being increasingly used to bring environmental concerns further upstream in the project planning process, to a stage where the major decisions have not yet been made. Bank experience suggests that sectoral and regional EAs may be effective tools for carrying out realistic and effective analysis of alternatives, at least in terms of overall strategy options for a sector or region or in terms of legal and regulatory options. Good examples of such upstream EA efforts are the Mexico Solid Waste II Project and the proposed Kenya Energy Sector Project.

The Bank continues to promote regional and sectoral EAs as a means to moving EA work upstream in the sectoral or regional planning process, through training and guidance development, and dialogue with borrowers. In addition, the Bank may increase its efforts toward integrating environmental considerations in Economic and Sector Work (ESW). The Bank can also strengthen its efforts to ensure that investment alternatives are discussed during project identification and preparation and that these alternatives are made available to EA consultants and the public.

To better address the third and fourth points above, the Bank can (i) make sure that EA terms of reference (TOR) explicitly call for analysis of all realistic alternatives; and (ii) support and promote the EA process, particularly the need to adequately analyze alternatives, in its dialogue with the borrowing country.

The fifth point may be best addressed through the training of EA consultants and selective use of international consultants. When it is clear that a country does not have the necessary expertise to adequately analyze alternatives, the Bank can help the borrower find suitable international consultants and support further EA training in the country. There is also a need for guidance development in the area of alternatives.

---



---

## 6 Public Consultation: The Experience of the Latin America Region

In 1994 the environment division for the LAC Region, LATEN, undertook a review of all EAs completed between 1989 and 1994 in terms of the experience with public consultation and participation. The review covered 28 projects of which fifteen were classified in Category A and thirteen in Category B. All the projects had been subject to full EAs (in the case of the Category B projects, due to borrower country requirements). The review found that consultation had intensified continually throughout the period reviewed, with consultation being slightly more common with local NGOs and governments than with affected groups. Affected groups were consulted in 15 out of 28 projects for the entire period, but in 11 out of 14 1994-95 projects.

Somewhat surprisingly, the review found that consultation was more rare at the scoping and draft EA stages than during EA preparation when consultation is not strictly required. Consultation took place in only roughly half of the projects at the required stages, while 22 projects were subject to consultation during EA preparation; in most cases following the preparation of EA Terms of Reference. Six projects had consultation after finalization of the EA. Performance did not improve over time in terms of staging consultations at the scoping and draft EA stages.

The review suggests that one major reason that consultation once TORs are agreed among the experts has been more common than at the early scoping stage is that the latter has been countercultural to the traditions of the Bank. Methods and procedures derived from Bank traditions favor borrower government, outside expert and Bank staff collaboration in identification and planning of projects. Consistent with this tradition, consultation is more common once the scope of EAs has been determined by the government, experts and the Bank staff. The nature of these consultations tends to be to convince affected people and other stakeholders of the validity and wisdom of the choices already made, although there are some examples of changes and revisions to project concept and design following consultation at this stage as well as other stages of consultation.

Important constraining factors to effective public consultation in development planning in LAC--constraints more powerful than Bank-internal factors--are the lack of legal and institutional mechanisms for consultation and participation in the borrower countries. For example, the first legislation creating a statutory requirement for citizen participation in development investment decision-making has recently been approved in Colombia (Proyecto de Ley 282/93). This was followed by a law that institutionalized for the first time in Latin America public participation in environmental decision making (Ley 99/93). Given this background the review concludes that its most remarkable finding is that 26 out of 28 Task Managers were successful in stimulating some degree of public consultation in the EA process.



The review found that overall, the quality of EA work improved significantly when information and views provided by affected groups, local NGOs and local governments were taken into account. For example, in the case of the Paraguay Natural Resources Management Project, new areas were demarcated as a result of consultation, serving the protection of a vulnerable ethnic group, the Tupi Guarani, and impeding the destruction of fragile natural resources. In the 1995 Colombia Power Sector Project, public consultation has led to changes in national policy priorities with respect to power development.

---

### **Lessons of Direct Relevance to NORAD's Work**

16. Based on the Bank's experience, it seems that the following recommendations might be valid for NORAD:

- EA requirements should be designed to fit the project types (and scales) generally found in NORAD's portfolio, but with built-in flexibility so that they can be applied in a wide range of contexts. This means, among other things, that the requirements should allow for more than just conventional EIA studies, as many projects raise issues that are best addressed through other instruments (environmental audits, risk assessments, social assessments, etc.).
- Special attention should be paid to the connection points between EA (widely defined) and the overall project preparation process, from the earliest identification stages and through to the implementation. Clear review and clearance procedures need to be established, with responsibilities clearly defined.
- Much can be gained from collaboration and coordination with other donor agencies in the area of EA. Duplication of efforts should be avoided, as recipients should only have to do the job once. Training and capacity building provides an other potential area for creating synergies. EAs should be used as an opportunity to build in-country capacity, and not be (exclusively) seen as a lucrative market for donor country consultants.



# TERMS OF REFERENCE FOR A REVIEW OF NORWEGIAN BILATERAL ASSISTANCE FOR ENVIRONMENT AND DEVELOPMENT

## 1. INTRODUCTION

During the last decade, an increased understanding of the link between environment and development has gradually been achieved. At the same time, recognition of the global nature and seriousness of environmental problems has made sustainable environmental development one of the major issues on the international agenda. The World Commission for Environment and Development (WCED-The Brundtland Commission) underlined the importance of sustainable development in their 1987 report.

In previous Norwegian white papers on Norwegian development assistance, with particular reference to Report No. 34 to the Storting (1986-87) on "Main Issues in Norwegian Development Assistance" and Report No.46 to the Storting (1988-89) on "Environment and Development", it is emphasized that Norwegian assistance shall contribute to similar sustainable development in developing countries. Environment has been identified as a priority area for Norwegian assistance in the 1990s.

Report No.51 (1991-92) to the Storting on "Trends in North-South Relations and Norway's Cooperation with Developing Countries" this is confirmed. In identifying goals for Norwegian assistance, the white paper gives particular priority to five problem areas: sound management of natural resources and environment, economic growth, improved living conditions for the poorest population groups, promotion of human rights and peace among nations. This implies that Norwegian assistance shall promote social and economic development within nature's capacity and a more ecologically sustainable management of natural resources, through i.a :

- conservation of soil productivity
- improved management of water resources
- conservation of biological diversity and improved management of wildlife, forests and other vegetation
- reduced pollution of soil, air and water

As basic principles for future efforts it is underscored that

- Norway's main emphasis will be put on activities that increase the capacity of developing countries to plan and implement a policy, programmes and activities that are sustainable on national, regional and local levels.

- environmental concerns shall be integrated into all projects and programmes and long term resource and environmental concerns shall be given increased priority within sector programmes such as energy, agriculture, water management, and industrial and commercial cooperation

- development assistance must be directed towards the causes of environmental problems and not only treat the symptoms

- traditional management systems consistent with sustainable development must be catered



for and promoted through development assistance. The role of women is in this respect particularly important.

As prioritized fields in the years to come, the Government emphasises the strengthening of national planning and management capacity, support for research, development of technology that is conducive to environmental protection, energy saving measures, management and protection of natural resources and limitation of population.

In NORAD's Strategies for Bilateral Assistance, Part II, it is emphasised that all ongoing and planned aid activities shall be assessed with regard to environmental impact. All channels for bilateral assistance will be used to promote environmental concerns. The main channel is the country programme where, in addition to possible specific environmental efforts, environmental considerations should be integrated into all relevant activities and sectors. Activities related to environment will also be given increased priority through the Norwegian Volunteer Service, regional grants, non governmental organisations and industrial and commercial cooperation schemes.

The goal of sustainable development makes it necessary to consider in a coherent manner environmental degradation, poverty and the need for economic growth. Directing efforts towards environmental protection will in many cases coincide with the goal to improve living conditions and possibilities for development for the poorest sections of the population. So far no systematic review has been made of contributions in this field. The special allocation for environment which was established in 1984, was evaluated in 1992.

## 2. THE GOAL OF THE REVIEW

The purpose is to assess whether Norwegian development aid promotes sustainable development with particular emphasis on sound ecological management of the resource base. This implies a survey of the actual follow-up of assistance-related goals, summing up and analyzing experience to date, and identifying present and possible future conditions for such activities.

## 3. MAIN THEMES AND APPROACHES

The review of bilateral assistance shall discuss and consider:

- overall precepts and goals adopted with regard to environment and development,
- NORAD's follow-up with regard to developing strategies and tools to implement overall goals and
- administrative and personnel related efforts implemented and their effectiveness

### 3.1 Overall precepts and goals

The review shall include a full assessment of precepts and goals for bilateral assistance. The following issues should be considered:

#### 3.1.1 Discuss the link between environmental goals and other main goals for



Norwegian assistance and assess whether they conflict in any way. Further considerations must be given to the general principles underlying the choice of priority areas.

3.1.2 Consider to which extent the means and strategies presented in the above mentioned Reports to the Storting are relevant and sufficient to meet the environmental challenges facing the main partner countries.

### 3.2 Strategies and tools

A survey and assessment shall be made of NORAD's implementation with regard to developing strategies and tools to achieve overall environmental goals. The following questions should be considered:

3.2.1 Have strategies, plans of action and activities originated in the developing countries' own environmental policies and priorities, and are global environmental problems (biodiversity, climate and other topics under Agenda 21 etc.) adequately reflected in goals and regulations for Norwegian bilateral assistance.

3.2.2 To what degree has an overall strategy and plan been devised for the implementation and integration of the main goals in development aid (ref. Report no. 51 to the Storting, Chap. 5.4.6) and have routines been developed and established to ensure the integration of environmental concerns in development assistance? For instance, if account has been taken of the need for management and conservation of natural resources (water, forests, soil, air)? Has NORAD implemented environmental impact assessments of ongoing and planned aid activities and have analyses of this nature affected the design of projects?

3.2.3 Have NORAD's offices abroad produced action plans for the respective countries with budgets for the integration of environmental concerns in development assistance (ref. Report no. 51. to the Storting. Chap. 5.4.6)? To the extent that such plans have been prepared, it is important to ascertain whether they have been developed in cooperation with the relevant authorities and institutions in recipient countries and institutions, and whether development assistance helps the countries to develop an overall policy on their own.

3.2.4 What efforts have been made to integrate and safeguard environmental goals in the context of :

- country programmes
- regional grants
- assistance through non-governmental organisations
- industrial and commercial cooperation

In this connection, the interaction between the above-mentioned channels and the other special allocations (environment, women and culture) shall also be assessed.

3.2.5 To the extent that clearly formulated goals and strategies exist in NORAD, the scope, content and relevance of environmental activities in the following areas shall be assessed:

- national planning and management capacity



- competence - and institutional development
- research and practical use of research results
- population
- management of natural resources
- use of "environmental" technology
- energy saving measures

### 3.3 The administrative instruments

It should be ascertained whether there are appropriate management systems and an organization efficient enough to enable the implementation of strategies and activities in the environmental field. The following conditions shall be discussed:

3.3.1 Are NORAD's efforts managed and organized in a manner that promotes the integration of environmental concerns in Norwegian assistance in its totality. Further, is the goal of sustainable development sufficiently reflected in work instructions, regulations and routines, and is there an ongoing evaluation process within the organization which can provide a basis for learning.

3.3.2 Has sufficient emphasis been put on developing environmental competence and capacity among NORAD's personnel? Do NORAD staff responsible for environment and development possess sufficient environmental competence and cross-sectoral perspectives.

3.3.3 How does the implementation of environmental concerns compare with that of other cross-sectoral concerns, and what improvements can be made when it comes to the organization of environmental activities within bilateral assistance.

## 4. CONCLUSIONS AND RECOMMENDATIONS

4.1 The main themes and approaches to the integration of environmental concerns into bilateral assistance shall be summed up, including proposals and recommendations for future environment related measures in development assistance in the form of goals, activities, guidelines and routines.

4.2 Factors that have hindered/promoted integration of environmental concerns in Norwegian bilateral assistance shall particularly be identified.

## 5. METHOD AND ORGANIZATION

5.1 The review shall be based on

- registry/document - studies
- interviews/discussions
- field studies in two countries: Tanzania and Sri Lanka

5.2 The review shall be implemented by a team with competence in the following disciplines:

- ecology and natural resource management



- (resource-) economy
- political science, sociology/social anthropology

The implementation of the "country studies" shall take place in cooperation with relevant institutions/expertise in the respective country.

5.3 NORAD, the Ministry of Foreign Affairs and the Ministry of the Environment will be requested to appoint contact persons to attend to and facilitate contact between the evaluation team and these institutions.

5.4 The review shall be undertaken in 1994 and 1995. A draft report in English shall be presented to the MFA before 30 June 1995. The assignment shall be completed before 30 September 1995.



1. The first step in the process of job design is to identify the tasks and responsibilities of the job.

2. The second step is to analyze the tasks and responsibilities to determine the skills and knowledge required.

3. The third step is to design the job to match the skills and knowledge of the employee.

4. The fourth step is to implement the job design and monitor the results.

5. The fifth step is to evaluate the job design and make adjustments as needed.

6. The sixth step is to document the job design process and results.

7. The seventh step is to communicate the job design to the employee and other stakeholders.

8. The eighth step is to provide ongoing support and training to the employee.

9. The ninth step is to evaluate the employee's performance and provide feedback.

10. The tenth step is to review the job design process and make improvements.

11. The eleventh step is to ensure that the job design is consistent with the organization's goals and values.

12. The twelfth step is to ensure that the job design is flexible and adaptable to change.

13. The thirteenth step is to ensure that the job design is motivating and challenging.

14. The fourteenth step is to ensure that the job design is fair and equitable.

15. The fifteenth step is to ensure that the job design is sustainable and long-term.

16. The sixteenth step is to ensure that the job design is aligned with the organization's strategy.

17. The seventeenth step is to ensure that the job design is consistent with the organization's culture.



## EVALUATION REPORTS

- 2.86 Mali - matforsyning og katastrofebistand  
3.86 Multi-bilateral Programme under UNESCO  
4.86 Mbegani Fisheries Development Centre, Tanzania  
5.86 Four Norwegian Consultancy Funds, Central America  
6.86 Virkninger for kvinner av norske bistandstiltak  
7.86 Commodity Assistance and Import Support to Bangladesh  
1.87 The Water Supply Programme in Western Province, Zambia  
2.87 Sosio-kulturelle forhold i bistanden  
3.87 Summary Findings of 23 Evaluation Reports  
4.87 NORAD's Provisions for Investment Support  
5.87 Multilateral bistand gjennom FN-systemet  
6.87 Promoting Imports from Developing Countries  
1.88 UNIFEM - United Nations Development Fund for Women  
2.88 The Norwegian Multi-Bilateral Programme under UNFPA  
3.88 Rural Roads Maintenance, Mbeya and Tanga Regions, Tanzania  
4.88 Import Support, Tanzania  
5.88 Nordic Technical Assistance Personnel to Eastern Africa  
6.88 Good Aid for Women?  
7.88 Soil Science Fellowship Course in Norway  
1.89 Parallel Financing and Mixed Credits  
2.89 The Women's Grant. Desk Study Review  
3.89 The Norwegian Volunteer Service  
4.89 Fisheries Research Vessel - «Dr. Fridtjof Nansen»  
5.89 Institute of Development Management, Tanzania  
6.89 DUHs forskningsprogrammer  
7.89 Rural Water Supply, Zimbabwe  
8.89 Commodity Import Programme, Zimbabwe  
9.89 Dairy Sector Support, Zimbabwe  
1.90 Mini-Hydropower Plants, Lesotho  
2.90 Operation and Maintenance in Development Assistance  
3.90 Telecommunications in SADCC Countries  
4.90 Energy support in SADCC Countries  
5.90 International Research and Training Institute for Advancement of Women (INSTRAW)  
6.90 Socio-cultural Conditions in Development Assistance  
7.90 Non-Project Financial Assistance to Mozambique  
1.91 Hjelp til selvhjelp og levedyktig utvikling  
2.91 Diploma Courses at the Norwegian Institute of Technology  
3.91 The Women's Grant in Bilateral Assistance  
4.91 Hambantota Integrated Rural Development Programme, Sri Lanka  
5.91 The Special Grant for Environment and Development  
1.92 NGOs as partners in health care, Zambia  
2.92 The Sahel-Sudan-Ethiopia Programme  
3.92 De private organisasjonene som kanal for norsk bistand, Fase I  
1.93 Internal learning from evaluation and reviews  
2.93 Macroeconomic impacts of import support to Tanzania  
3.93 Garantiordning for investeringer i og eksport til utviklingsland  
4.93 Capacity-Building in Development Cooperation  
Towards integration and recipient responsibility  
1.94 Evaluation of World Food Programme  
2.94 Evaluation of the Norwegian Junior Expert Programme with UN Organisations  
2.95 Evaluering av FN-sambandet i Norge  
3.95 NGOs as a channel in development aid  
3A.95 Rapport fra presentasjonsmøte av «Evalueringen av de frivillige organisasjoner»  
5.95 Integration of Environmental Concerns into Norwegian Bilateral  
Development Assistance: Policies and Performance

## Country Studies and Norwegian Aid Reviews

(Most studies are available in English and Norwegian)

1985 Pakistan	1986 Bangladesh	1986 Zambia	1987 India	1987 Sri Lanka
1987 Kenya	1988 Tanzania	1988 Botswana	1989 Zimbabwe	1990 Mozambique



