Development is often accompanied by environmental challenges—pollution, the degradation of natural resources and ecosystems, the depletion of the ozone layer, and climate change, among others. These challenges are generally associated with market failures, externalities and they can involve complex inter-generational tradeoffs. Public sector policies, regulations, and institutions have an essential role in addressing environmental challenges by creating incentives, changing behaviors, adjusting markets, and mobilizing resources (box 1). As World Development Report 1997 pointed out, environmental protection is recognized as one of the five core responsibilities of modern governments.\(^1\) World Development Report 2003 also emphasized the importance of institutions more broadly in sustainably managing assets and improving well-being. Within a broad institutional framework the capacity of public institutions to carry out their responsibilities and implement environmental policies is, accordingly, a critical element in environmental management (box 2).

Efforts to assess environmental policies and institutions systematically have often been clouded by lack of a generally agreed framework, data deficiencies, and by the complexity of the task. The purpose of this note is to summarize lessons learnt, indicate the range of assessment tools available, and highlight key areas in assessing environmental policy and institutional capacity. This is envisioned as a key building block of Country Environment Analysis (CEA)—a strategic analytic tool that aims to integrate environmental considerations into Poverty Reduction Strategy Papers (PRSPs), Country Assistance Strategies (CASs) and development assistance programs.

### Lessons from Experience

Environmental policies, regulations, and institutions are part of a country’s overall administrative fabric. They form a complex system of concepts, values, processes, rules, formal and informal organizations, that translate public preferences and goals into action in order to influence environmental quality (Lovei and Weiss 1998). They are, furthermore, an outcome of country-specific institutional, administrative, and cultural factors. The feasibility of given environmental policy implementation tools and methods therefore varies among societies, and the administrative position of environmental regulatory agencies differs from country to country (box 3). Nevertheless, some general lessons can be drawn about the characteristics of effective public sector environmental institutions.
Political commitment to environmental issues. Support from political leaders is crucial for making substantive progress on an environmental agenda. The status or change in status of environmental agencies may itself be a reflection of such ownership and political commitment. Budget allocations for environmental management also indicate degree of political commitment and support.

Checks and balances. Although integrating environmental oversight into sectoral development goals is crucial from the perspective of mainstreaming, conflicts of interest may develop when environmental oversight and resource management functions are combined within the same agency. Having adequate checks and balances in place is therefore crucial.

Effective cross-sectoral coordination. Environmental issues cannot be addressed in isolation. Cross-sectoral coordination bodies, chaired by the head of state or the chief executive, can help align the operations of different agencies. The effectiveness of these bodies is heavily influenced by the level of political support.

Balance between centralization and decentralization of environmental oversight. National governments need to reserve the authority for setting minimum environmental standards, regulating resource management and issues of national interest, and ensuring compliance with obligations under international environmental agreements. Other functions can be decentralized to local levels. Effective delivery of public services does not automatically result from greater decentralization but is linked to the dynamic relations between local government, civil society, and central government (Tendler 1997).

Transparency, participation, and public access to environmental information. Support from the citizenry is crucial for effective implementation of environmental policies and regulations. Governments can facilitate citizen involvement by, for example, disclosing data on environmental quality, enabling public review of proposed laws and regulations, and inviting public participation.

**BOX 1. INSTITUTIONS AND ORGANIZATIONS**

The term “institutions” typically refers to the “rules of the game” that structure incentives and enable people to solve a variety of collective action problems, but it is often also applied to organizations—the players and participants that devise coordination mechanisms for playing the game. In this note we use the term broadly, in both senses.

**BOX 2. DEFINITION OF CAPACITY**

In this note, we refer to capacity in terms of the ability of public sector organizations to act effectively either singly or in cooperation with other organizations in the pursuit of their objectives (Grindle and Hilderbrand 1995; Polidano 2000). Similar definitions have been used by the United Nations Development Programme (UNDP) and the Organisation for Economic Co-operation and Development (OECD).

**BOX 3. ENVIRONMENTAL ADMINISTRATION MODELS**

- **Independent environmental ministry.** Lithuania: Ministry of Environmental Protection.
- **Environmental ministry with one or more sectoral responsibilities.** Bulgaria: Ministry of Environment and Water.
- **Independent environmental agency.** United States: Environmental Protection Agency.
- **Environmental ministry plus environmental agency.** Denmark: Ministry of Environment and Energy and the Environmental Protection Agency.
- **Environmental agency within sectoral ministry.** Ethiopia: Environmental Protection Authority housed within the Ministry of Rural Development.
- **Cabinet level coordinating body.** Mozambique: Ministry for the Coordination of Environmental Affairs.

**Approaches for Assessing Institutional Capacity and Performance**

Development agencies have devised numerous analytical products and tools to monitor and provide guidance on institutional capacity and performance in client countries. Selected examples are discussed below.

- **Institutional and Governance Reviews (IGRs).** In 1999 the World Bank launched the IGR, a new type of country-level analytical product, to examine the nature of institutional weaknesses, analyze their probable causes, and make recommendations for improving public sector operations. The aim of the IGRs is to inform the Bank’s country assistance strategies and to help in setting operational priorities.
- **Governance toolkits.** Toolkits focusing on specific governance issues such as constraints on service delivery, decentralization, and assessment of civil service and public expenditure, have been developed at the World Bank. They vary widely in their focus, methods and units of analysis.2
- **Country Policy and Institutional Assessment (CPIA).** The CPIA is a performance assessment exercise that the Bank undertakes each year for client countries. On the basis of expert judgments by Bank staff, the CPIA develops a rating system to evaluate client country’s current policy and institutional performance, including environmental sustainability. CPIA ratings play a significant role in IDA resource allocation.
- **Environmental Performance Reviews (EPRs).** EPRs, undertaken by the Organisation for Economic Co-operation and Development (OECD) and
the United Nations Economic Commission for Europe (UNECE), describe the institutional framework in the reviewed country. Discussion of policies and institutions is embedded within the pressure–state–response framework for understanding environmental change.

**Reviews of Environmental Assessment (EA) capacity.** The Bank and other development organizations have undertaken several country-focused and regional studies reviewing the EA capacity of developing countries. A good-practice example of a country review is the recent study assessing Russia’s EA capacity (box 4).

The analytic tools and products discussed above provide a useful resource for our purposes. IGRs yield rich political-economic analysis of the institutional roots of public sector performance but have not focused on environmental institutions or organizations. The CPIA rating systems allow cross-country comparisons but do not provide a contextual explanation of lagging institutional performance. The OECD’s EPRs show that institutional and policy capacity within a country can vary depending on the environmental issue, confirming the importance of linking capacity assessment with specific environmental concerns.

Based on a review of these and similar tools and the broader literature on institutional analysis, key areas of institutional capacity assessment in the context of a CEA are highlighted below.

This is not a new tool; rather, it is an approach to be adopted in various environmental analytical exercises at the national and also at sub-national levels.

### Suggested Approach

The main purpose of the approach outlined here is to examine the institutional and governance underpinnings of environmental performance, identify strengths and weaknesses, and make recommendations for enhancing the contribution of policies and institutions to improved environmental quality. The assessment should be linked to key environmental challenges critical to the country’s development.

In carrying out the analysis, it is important to consider the broader political and economic context within which public sector institutions operate (Grindle and Hilderbrand 1995). This includes factors such as the rate and structure of economic growth, nature of political institutions, the degree of political stability and government legitimacy, the role of political actors in shaping public administration, links between public, private and nongovernmental sectors, and mobilization of civil society.

The assessment, thus embedded within an analysis of the broader context, should focus on three aspects of public sector capacity—policy making, administrative efficiency, and implementation. These categories are considered separately for analytical purposes to highlight the main areas of emphasis, though in practice they are linked. For instance, environmental policies are shaped by available technical capacity and administrative structures. In turn, the authority and sphere of activity of key environmental agencies is also influenced by environmental policies and legislations. Similarly implementation of policies depends not just on availability of basic tools such as regulation, but also on support within key agencies for the policies. Further, feedback from the private sector, local community organizations or citizens groups in the process of implementation can provide crucial input into the policy making process and also help to keep the pressure on public officials for policy delivery high. Below we define each category and highlight important areas to be considered for assessment.

**Policymaking:** assessment of the policy, legislative, and regulatory framework for protecting and managing specific environmental resources. An analysis of the underlying processes of policymaking will shed light on the conditions under which policy reforms or changes came about, the role played by political elites, technocrats and other stakeholders in defining alternatives, and the factors that influence specific policy choices. Main areas of focus:

**Policies governing the management of natural and environmental resources,** including policies on natural resource extraction, user fees, royalties, taxes, and property rights

**Coverage, consistency, and feasibility of the environmental legislative framework,** including legal and regulatory coverage, environmental assessment requirements, and applicable international environmental agreements

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**BOX 4. EVALUATING RUSSIA’S ENVIRONMENTAL ASSESSMENT CAPACITY**

In May 2000, the Russian government abolished the State Committee for Environmental Protection and assigned its functions to the Ministry of Natural Resources. These developments gave rise to concerns about the soundness of the environmental management system. A recent study was undertaken to examine the implementation capacity and effectiveness of Russia’s environmental assessment (EA) system. The study built on a mix of analytical approaches, including surveys and questionnaires, group discussions with stakeholders, analysis of the legal and regulatory framework at the federal and regional levels, and analysis of case studies. It placed special emphasis on the following aspects of the EA system:

- **Proportionality.** The scope of EA should be commensurate with the environmental impact of development actions.
- **Equity.** The process should be transparent and applied equitably, without bias toward any party.
- **Efficiency.** The process should be undertaken within the minimum time and resources consistent with the required scope of assessment.
- **Effectiveness.** The process should meet its mandated requirements and objectives, consistent with accepted international principles.

Source: Von Ritter and Tsirkunov 2002.
Availability and quality of data to inform the policymaking processes, including transparency in reporting on the state of the environment and mechanisms for analyzing and addressing the environmental implications of macroeconomic and sectoral policies.

Rules and procedures for involving the public and civil society in the policymaking process and government role in mobilizing the public and private sectors around environmental concerns.

Administrative efficiency: the structure of environmental administration within the overall administrative machinery; human resource and technical capacity with respect to key environmental concerns. Main areas of focus:

Status and structure of environmental agency/body, relationship between key organizations involved in the management of specific environmental concerns at the national, regional, and local levels, as well as allocation of resources and responsibilities among them; understanding of the formal and informal rules that govern decision-making processes, and existence of appropriate checks and balances, especially as they relate to resource exploitation and protection functions.

Technical capacity and human resource management, including skill mix, utilization and retention of individuals, and incentives and opportunities for using skills and knowledge effectively.

Mechanisms for cross-sectoral coordination, including mechanisms for influencing macroeconomic and sector policies.

Implementation and impact: explanation of what works well and why, and analysis of constraints faced in implementing environmental policies and regulations. The analysis would provide insights into the process of environmental decision-making, the power relations between stakeholders, ways of accommodating competing interests, and the mechanisms by which policy implementation influences the allocation of resources. Main areas of focus:

Support from political leadership for specific environmental concerns in the past and present.

Collective action issues facing the implementation of environmental policies and regulation, evidence of social capital between government, private sector and civil society groups.

Flexibility, cost-effectiveness, and feasibility of policy implementation instruments, including administrative, legal, and incentive-based tools.

Use of existing system for permitting, monitoring, inspecting, and enforcing compliance with policies and regulations; analysis of incentive structures associated with these tasks.

Experience with decentralization and the extent to which it has been successful.

Accountability and public expenditure management and the ability to mobilize sufficient financing—through the budgetary process, user charges, and external sources—for implementing policies effectively.

Implementation of the EA framework, extension of EA application to all investments, and capacity in key sectors and in private consulting businesses for undertaking EAs.

The analysis of the policy, administrative structure and of the opportunities and constraints faced in implementing environmental policies and regulations forms the basis for the conclusions and recommendations emerging from the assessment. These include concrete recommendations on the types of interventions that are expected to be most effective and feasible, given the political realities in the client country; the trade-offs between approaches; and practical ways of improving environmental performance, service delivery, and accountability.

References


Notes

1. The other four core responsibilities are establishing the country’s legal foundation, ensuring macroeconomic stability and a nondistortionary policy environment, providing or ensuring the provision of basic social and infrastructure services, and protecting vulnerable populations.


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The Environment Strategy Notes series aims to provide a forum for discussion on a range of issues related to the Environment Strategy, to help the transfer of good practices across countries and regions, and to seek effective ways of improving the Bank’s environmental performance.

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