

WORLD BANK ENVIRONMENT STRATEGY

**DONOR SURVEY OF
ENVIRONMENTAL AID
EFFECTIVENESS**

Prepared by

Hans Olav Ibrek

Environment Department

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1. EXECUTIVE SUMMARY

The World Bank Group (WBG) has embarked on developing an Environment Strategy. In preparation of the Environment Strategy, the WBG is assessing past experience in linking environmental and development assistance and achieving tangible environmental improvements on the ground. In the framework of this effort, the objective of this task is to learn about the experience of our partners, bilateral donors and multilateral institutions, in the effectiveness of their development aid for environment, their priorities, and views on collaborating with the WBG in order to improve our collaboration and work toward mutually agreed objectives together.

Environment/Development Linkages

One important conclusion from donors' experience with establishing effective environment/-development linkages is that it is necessary to work systematically. The environmental management systems, the aid policy and the action programs, with subsequent reporting, provide a mechanism for such a systematic approach. Environmental issues should be part of everyday work and not something that is added on separately.

It is also very important that there is a conviction and clear commitment by the leadership of the organization in order to mainstream environmental issues into all activities.

Mainstreaming

The principle of integrating environment and development concerns is well established and the ultimate objective is for the environment, including its global aspects, to be factored into client countries' decisions regarding sustainable development. During the last decade bilateral donors and multilateral institutions have consistently emphasized the importance of environmental concerns.

There is a remarkable degree of consistency in findings of various evaluation studies undertaken by donors on the issue of mainstreaming of the environment. Many of these report a significant gap between the high policy priority accorded to the environment, and actual practice. A general conclusion could be:

“In practice, donor agencies have not managed to secure a systematic and coherent integration of environmental concerns in all sectors, at all stages of the project cycle, and in all forms of ODA. Environmental guidelines are still not systematically applied or are not used at all” (OECD, 1998).

A variety of reasons are advanced for this gap:

- The lack of clear strategies and monitorable targets relating to the environment;
- The lack of a single authority or unit within the aid agency with responsibility for integrating and monitoring environmental performance;
- The wide and general definition of the environment, coupled with the absence of a coherent core set of internationally agreed environmental indicators;

- Limited numbers of specialist environmental staff, and limited awareness among general program staff;
- Institutional capacity constraints within recipient governments and institutions;
- A lower priority accorded to environmental issues by recipient governments, and correspondingly a limited demand for environmental assistance compared with other sectors;
- Environmental projects tend to be relatively complex and more difficult to design and implement; and
- The organizational and financial demands generated by global environmental issues. This applies to both donor and recipients.

Partnerships

Presently, environmental partnerships with the World Bank are not common, though at the country level cooperation can and does exist. Generally, donors' partnership with the Bank has worked well. This refers especially to areas in which the Bank and the donors have common interests for development of methodologies, e.g. urban environment, coastal zones and marine resources, environmental indicators, linkages between poverty and environment.

Areas that have not worked so well are the areas in which there is not an interest to cooperate and the Bank has seen donors more as a source of finance than as a partner, usually at project and country level.

While donors generally appreciate to team up with the Bank, thus increasing the impact of their activities, and making operations less cumbersome in the usually difficult environment of the client countries, there is less visibility and less flexibility than in truly bilateral cooperation.

Donors would like to support the Bank's work with development of methodologies within areas that are of common interest to both organizations. Donors have also expressed that support to the Bank through seconding of persons who can develop his/her knowledge and act as intermediaries between the two organizations will be continued.

Poverty

The objectives and the principles of CDF are widely accepted even though staff at the various donor agencies' is not very familiar with the concept and what it entails. CDF can play a useful role as a management instrument, both in terms of national planning and donor coordination. However, in some cases CDF, in particular with the emergence of PRSP, is perceived as a World Bank initiative, thus eroding local ownership and participation. Environment and sustainable development are not adequately reflected in CDF, but even more so in PRSP.

The focus on poverty seems to be steadily increasing in the donors' portfolio of environmental projects. The transition from seeing people as a means for helping the environment, to seeing environmental improvement as a means for helping people, is a precondition for effectively addressing poverty.

Conclusion

Raising the environmental performance of organizations and people in any society is a daunting task even for its own citizens. Assuming this can be done easily by outside intervenes may be the first mistake in any capacity development program. Recognition of the need to experiment, listen and learn may be the first step to some sort of progress.

2. BACKGROUND AND OBJECTIVES

The World Bank Group (WBG) has embarked on developing an Environment Strategy guided by eight key principles: (i) listening and working with the people in client countries; (ii) focusing on environmental interventions that benefit the poor; (iii) identifying and working toward tangible outcomes; (iv) integrating cross-sectoral and long-term views into development choices; (v) facilitate regional and global policy dialogue; (vi) harnessing the role of markets and the private sector in facilitating environmental sustainability; (vii) seeking cost-effective solutions to environmental problems; and (viii) being selective and working with partners for better results.

The five key objectives of the Strategy are: (i) to enhance people's livelihoods through sustainable natural resource management; (ii) to improve people's health affected by environmental factors; (iii) to reduce peoples' vulnerability to environmental risks and natural disasters, (iv) to help empower people and societies through improved environmental governance; and (v) to facilitate equitable solutions to international and global environmental problems.

The Bank has established partnerships with several bilateral and multilateral donors/organizations in the environmental field. The cooperating institutions have vital experience in linking environment and development assistance and insight into how the World Bank operates. In addition, several donors and institutions second staff members to the Bank as part of their efforts to support the Bank, to expand the number of their staff with international development experience, and to facilitate communication between their agencies and the Bank. Collectively, the secondees possess a body of knowledge and essential formal and informal contacts that can provide invaluable input to the Bank as it designs its Environment Strategy.

In preparation of the Environment Strategy, the WBG is assessing past experience in linking environmental and development assistance and achieving tangible environmental improvements on the ground. In the framework of this effort, the objective of this task is to learn about the experience of our partners, bilateral donors and multilateral institutions, in the effectiveness of their development aid for environment, their priorities, and views on collaborating with the WBG in order to improve our collaboration and work toward mutually agreed objectives together.

3. METHODOLOGY

3.1 APPROACH

The Environment Strategy Team has asked secondees, primarily, but not exclusively, within the Environment Department, to summarize the experience of their home institutions and countries based on (i) a review of evaluative material available in their home institutions and countries; (ii) interviews with officers of those institutions involved in development aid for environment; and (iii) their personal outlook with the above objectives in mind. The Environment Strategy team requested that the information to be as specific as possible, based explicitly on the experience of the secondees' sponsoring agencies or country governments, and include illustrative examples of best/worst practices.

In addition to information solicited from the secondees and their home institutions available literature on the topic was collected, most notably from OECD's Development Assistance Committee (DAC) which undertook a desk study in 1997 on "Lessons of Donor Support for Institutional Capacity Development in Environment" and a survey in 1999 on "Donor Support for Institutional Capacity Development in Environment: Lessons Learnt". These two documents provided valuable information to this study and this report draws extensively on these.

3.2 DEFINITION

Capacity in the environment represents the ability of individuals, groups, organizations and institutions in a given setting to address environmental issues as part of a range of efforts to achieve sustainable development. The concept of capacity development in environment (CDE) describes the process by which capacity in the environment and appropriate institutional structures are enhanced. The key underlying principles of the CDE concept are that it integrates environment and development concerns at all levels, aims to strengthen institutional pluralism, belongs to, and is driven by, the community in which it is based and involves a variety of management techniques, analytical tools, incentives and organizational structures in order to achieve a given policy objective.

3.3 SCOPE OF THE STUDY

To guide the collection of experiences the following set of guiding questions were posed aimed to help the contributors with their assessment:

1. What is the experience of your sponsoring organization (and other agencies with which you are familiar) with establishing effective environment/development linkages?
2. To what extent do you feel that environment is mainstreamed—in your home agency and in the Bank? Which sectors have made the most progress and which lag behind?
3. What has been the nature of your agency's experience with environmental partnerships with the Bank? Which partnership areas have worked well, and which have not? What kinds of partnerships are their agencies interested in pursuing in the future with the Bank?

4. How do they (the sponsoring agencies) view the Bank's effectiveness with environmental assistance overall and with making the environment/development link? Can they give examples of activities they think the Bank does particularly well and particularly poorly? What types of activities do their agencies think the Bank should stay away from? And which should the Bank pursue and strengthen?

Of special interest to the Bank is what has worked/what has not worked in the following areas:

- ❖ Environmental capacity building in the central environmental agencies, in local agencies, and in non-environmental main-line agencies;
 - ❖ Natural resource management;
 - ❖ Pollution control;
 - ❖ Private sector partnerships (particularly in waste water and sanitation); and
 - ❖ Promoting development alternatives, such as renewable energy and energy-efficiency options.
5. How do our environmental partners view the Comprehensive Development Framework (CDF) and the Bank's commitment to realign its activities to poverty alleviation?
 - ❖ In relationship to their own organizational priorities?

 - ❖ In terms of how the Bank's shift may affect inter-agency complementarities on environmental assistance?

This study is based on an assessment of evaluation and review reports provided by secondees from Germany, Norway, Sweden, Switzerland, UNDP, relevant literature from OECD, Japan and the United Kingdom. Each secondee has interviewed staff members in their home institution or used available documentation and his/her experience to prepare their input to this study. An overview of the staff members who have contributed to this study is enclosed in Annex I.

3.4 DISCLAIMER

The study had, of necessity, to simplify an extremely complex set of issues and concepts. There are, in addition, numerous difficulties in assessing outcomes in relation to themes such as "environment" and "development", particularly in the contexts of the widespread policy and institutional reforms of both donor and recipient governments during the 1990s.

An important limitation of the study is that it relies on donor agency documentation. The study presents the views, findings and conclusions of the author, which do not necessarily correspond to the views of the secondees or their home institutions.

4. ASSESSMENT OF ENVIRONMENT AID EFFECTIVENESS

In the following paragraphs the key results of the study are presented. The assessment is presented according to the questions posed in Section 2.3 of this report.

4.1 ESTABLISHING EFFECTIVE ENVIRONMENT/DEVELOPMENT LINKAGES

4.1.1 General

An inherent risk in failing to implement development assistance with adequate environmental consideration is that the resultant degradation and destruction of the natural resources will undermine the sustainability of the development, and therefore be of little benefit to the improvement in the living standards of the regional population, or their sustained social and economic growth. Accordingly, in order to resolve the environmental problems of the developing countries, it is necessary to achieve a sustainable development which is balanced against the natural resources, and which will contribute to a raising of the living standards of the regional communities. This can be accomplished by giving appropriate consideration to the environment when implementing development assistance (JICA, 1988).

4.1.2 Specific Experiences

Some donor examples on establishing linkages between environment and development have been provided. In most developing countries (as in the more industrialized ones) the German Agency for Technical Cooperation (GTZ) cooperates with, the two are seen as complementary on the long run but are qualified as contradictory in the short-term. The present experience is that it is easier to develop an environment-development linkage in upper-middle income countries or Newly Industrializing Countries (NICs), e.g. India, Thailand, Morocco, Tunisia, Mexico, Brazil and Indonesia. This relates particularly to the following sectors:

- urban-industrial environmental protection (industrial pollution abatement and solid waste management in urban agglomerations, waste water treatment etc.);
- environment and international commerce (environmental product norms, environmental management systems, e.g. ISO 14000, etc.) ; and
- environment and the creation of economic free exchange zones (NAFTA, European Community and the Mediterranean countries).

According to the Swedish International Development Agency's (Sida) Policy on Sustainable Development, environmental concern and environmentally related activities should be an integral part of all official development cooperation. The responsibility for achieving this is, in principle, decentralized at Sida. The Policy states that all heads of departments/divisions and program and project officers are responsible for the integration of environmental issues in their particular area of responsibility and heads of departments must ensure that sufficient expertise is available.

Sida's Policy for Sustainable Development thus focuses on sustainable development cooperation from the environmental perspective, but assumes a broad definition of sustainable development which integrates ecological and environmental issues with economic, social, cultural and political issues. The following principles are stated in the Policy.

Development cooperation through Sida for sustainable development shall:

- Assist partner countries in identifying and implementing activities which protect and conserve the natural resources and environment of the country;
- Emphasize and support sustainability in a long-term perspective;
- Follow the principle that prevention is better than cure; and
- Enable recipient countries to work with long-term planning horizons.

This has the following consequences:

- The environmental perspective must be included in Sida's general development analyses as well as in its country, sector and project analyses;
- Sida shall refrain from contributing to projects which obstruct sustainable development; and
- Environmental consciousness and environmental consideration must be integrated into the work of all of Sida's departments.

As the next step towards integrating environmental aspects into its development cooperation activities, Sida participated in a pilot project with the aim to develop an Environmental Management System (EMS) in each of the central government agencies.

The EMS consists of four parts:

- Environmental analysis
- Policy
- Action Programme
- Monitoring and Reporting

One important conclusion from donors' experience with establishing effective environment/-development linkages is that it is necessary to work systematically. The environmental management systems (EMS), the aid policy and the action programs, with subsequent reporting, provides a mechanism for such a systematic approach. Environmental issues should be part of everyday work and not something that is added on separately.

It is also very important that there is a conviction and clear commitment by the leadership of the organization in order to mainstream environmental issues into all activities.

Environment is at the heart of poverty – poverty is at the heart of environment. The central mandate of United Nations Development Programme (UNDP), as an example of an international organization, is to be at the heart of international efforts to reduce poverty, and as a consequence, the organization holds that it must address environmental issues in a central way. UNDP considers that poverty and environment are inextricably linked. The poor in developing countries depend upon the natural resources for their lives and livelihoods and are thus affected profoundly by the way in which they and others around them use those natural resources, and their poverty affords them little refuge from the ill effects of environmental degradation.

UNDP's work in the environment/development nexus continues to be a cornerstone of its overall program. Many of the multitude of programs which the organization supports have had individual evaluations. There is no single evaluation of the entire environment portfolio and it is therefore

hard to speak to the “experience of the sponsoring organization”. UNDP has struggled with identifying the role and niche for the organization. Great efforts have therefore been put on getting “focus within the focus”, and translating the *sustainable human development* concept (SHD) which is central in UNDP’s business into operational projects and programs. This concept is viewed within the organization as the core of all policy and operational considerations and is a synthesis of the economic, environmental and social dimensions of the development process. Environment is seen as a resource for development, a dimension of development and an end product of development.

With that focus in mind, it has been suggested that UNDP should withdraw from those activities which are largely sectoral in nature and instead confine its activities to those directly related to its main emphasis on the systemic approach to SHD. The exception to this are in the energy and water fields, which, while sectoral in nature, have a clear and pervasive influence on the processes of sustainable human development and these are therefore viewed as an opportunity to manifest UNDP’s commitment to SHD rather than simply a sectoral activity. It should be stressed however, that while the above has management endorsement, it has still not been confirmed at the level of the new strategy which is in the process of being formulated.

4.1.3 Facilities for Promotion of Environment/Development Linkages

Norway has for many years emphasized environment in its development projects. Norway has set up a separate budget envelope for grants to environment and development projects since 1981, see Box 1. Evaluations have demonstrated that this earmarking of grants for special purposes have been useful to effectively integrate environmental considerations in development assistance and to raise awareness of environmental issues. However, in the long-term earmarking of funds could lead to the aid administration arguing that environmental concerns were already included in development assistance by referring to the grant, and thus avoid the more challenging task of cross-sector integration. The pursuit of self-standing environmental projects reinforces the view of the environment as an add-on, or separate sector.

As presented in Box 1 the special grant will be evaluated in 2000. The total Norwegian environmental development assistance is four times higher than the special grant. The Norwegian Agency for Development Cooperation (NORAD) has introduced compulsory environmental assessment, prepared a range of handbooks and best practice guides and initiated close cooperation with the Norwegian Ministry of Environment and its subordinate agencies. Regular meetings between the Ministers of Development and Environment are held.

Box 1.
Norway's Special Grant for Environment and Development

Since 1981, one of the central objectives of Norwegian development assistance has been to integrate environmental concerns into all activities where it is relevant. The Special Grant for Environment and Development ("the Grant") was established as a pilot scheme in 1984 as one of three special grants (the other two were the Special Grant for Culture and the Special Grant for Women). The objective of the Grant has varied throughout the period the Grant has existed, manifesting the government's ultimate objective, which is to promote and ecologically sustainable development. Central concerns have been integration of environmental issues as a crosscutting theme in Norwegian aid, the strengthening of administrative and professional competence in the environmental field in the South as well as in Norway, and the flexible financing of concrete environmental activities.

The Grant has since the start supported initiatives through both bilateral and multilateral channels. In 1991 the Grant was evaluated and the evaluation concluded that the establishment of the Grant had contributed to a noticeable shift in focus towards environmental issues in Norwegian development assistance. Moreover, the Grant had served as a flexible and effective finance mechanism for specific activities. It also concluded that the Grant had facilitated the integration of environmental concerns into operations of multilateral partners. On the bilateral side it the Grant was found to be managed in isolation and not integrated into country program activities. In 1995 the Ministry of Foreign Affairs carried out an evaluation of integration of environmental concerns into Norwegian bilateral development assistance. As far as the Grant was concerned, the evaluation concluded that it was in danger of becoming counterproductive to the aim of cross-sector integration, and recommended planning for full integration of the Grant into mainstream aid activities. This recommendation was endorsed by the Storting in 1998 on the condition that support to the areas that were given priority under the schemes was not reduced. The Ministry of Foreign Affairs has initiated a new evaluation to assess the Grant as an instrument for furthering the stated objective of promoting ecologically sustainable development within and through Norwegian aid. The evaluation should contribute to the ongoing discussion on the usefulness of special grants as instruments for rendering political priorities visible and furthering stated objectives.

Source: Terms of Reference. Evaluation of the Special Grant for Environment and Development, Norwegian Ministry of Foreign Affairs, April 2000

The European Commission (EC) has put in place a specific fund to foster activities in the field of environment. The EC Environment Budget Line was created in 1982 to support pilot projects and strategic policy studies related to environment in developing countries. The aim is to contribute to the implementation of sustainable development by encouraging the integration of the environment dimension within the development process. The Budget Line was evaluated in 1996 and the conclusions of the evaluation report were that: "The Budget Line is an instrument that is responsive to the objectives of the European Parliament. It has the flexibility to fund relatively small, innovative and locally oriented projects that are unlikely to be funded through mainstream (...) channels. It can also be useful for the European Community to support strategic studies and the development of other instruments to ensure the integration of environmental concerns into EC development programs. Clearly, there are trade-offs between flexibility and consistency, but on balance we would see that there are advantages to have the flexibility to respond to demand-driven proposals from developing country organizations and to changing priorities in the "sustainable development" policy arena. There is also evidence that the Budget Line has achieved a reasonable level of "spill-over" in countries and within the Commission". (OECD, 1999)

Switzerland has established a special fund, the Global Environmental Program, to support the integration of environmental considerations and which has two main components:

- Debt relief; and
- Global environmental issues.

This program has also been evaluated and the overall conclusion was one of praise. The establishment of, and commitments under the program were seen as a commendable performance of Switzerland. With respect to the political/policy dimension it is felt that through this Global Environment Program, a new way of political thinking is starting to emerge, based on a new awareness. However, this new dimension (and therefore its related potential) is only understood and used by part of the Swiss Development Cooperation and by part of the organizations involved in the implementation of the Global Environmental Program. Therefore, there should be more attention to clarification and awareness raising.

A unique and innovative instrument for funding of environment related cooperation can be found under Danish development cooperation: the Danish Co-operation for Environment and Development (DANCED). The objective of DANCED, which was established in 1993, is to contribute to restoring the global environment in accordance with the recommendations of UNCED. The DANCED program gives priority to the following environmental project areas in economies in transition and newly industrialized countries:

- Urban areas, including industries;
- Sustainable forest management;
- Biological diversity; and
- Integrated coastal zone management.

In the late 1980s the Swedish Government set up a special fund for environmental projects, the so-called "Special Environmental Appropriation". The overall objective of the fund is to support a sustainable development through pilot projects within strategically important areas, such as capacity development, policy and methodological development and integration of environmental issues into projects and programs.

In general environmental aspects should be integrated into all Sida-financed projects. The special environmental fund should be used as a complement to regular project financing; it should serve as a flexible instrument to accelerate processes leading to an environmentally sustainable development. It is used mainly for bilateral projects, but also for multilateral projects related to the follow-up after UNCED. The fund gives priority to pilot projects within the following areas:

- Water resources and sanitation
- Sustainable agriculture and forestry
- Marine environment
- Urban environment, communication, waste handling
- Energy and atmosphere
- Capacity development
- Environmental NGOs

The integration of environmental aspects within other areas focuses mainly on environmental economics, transport, health related issues (including chemicals), trade and support to some international organizations. The fund can also be used for environmental policy and methodological development and to support a continued development of the Swedish resource base.

These examples demonstrate that donors have provided substantial earmarked support to activities to promote effective integration of environment/development linkages in development projects. Evaluations indicate that most of these schemes have been highly successful in achieving its objectives, i.e. providing support to implementation of environmental projects. However, recent experiences indicate that earmarking of funds in the long-term are not necessarily beneficial since it might cause that the environment is treated as a separate, donor-funded sector.

4.2 MAINSTREAMING OF ENVIRONMENT

4.2.1 General Views on Mainstreaming

The principle of integrating environment and development concerns is well established and the ultimate objective is for the environment, including its global aspects, to be factored into client countries' decisions regarding sustainable development. Bilateral donors and multilateral institutions have during the last decade consistently emphasized the importance of environmental concerns. Donor agencies have successfully integrated environmental concerns in overall policy statements, sector policies and strategies, in several cases, in regional and country strategies and, to a lesser extent, in local area strategies. Some aspects of capacity to address environmental issues and CDE concerns in ODA through i.a. the establishment, expansion or strengthening of specialized environment technical and/or policy units, initiating special environment programs and funding frameworks and internal training programs, have been addressed (OECD, 2000).

There are still, nevertheless, important differences between policy and practice. In practice, donor agencies have not managed to secure a systematic and coherent integration of environmental concerns in all sectors, at all stages of the project cycle and in all forms of ODA. Environmental guidelines are still not systematically applied or are not used at all. This finding has been repeatedly endorsed in the DAC members' own thematic "environment and development" evaluations conducted throughout the period 1994-1998 " and was aptly summarized in a recent study which found:

"Development assistance agencies, including the United Nations, multilateral and bilateral organizations frequently fail to undertake environmental assessment of projects that they support. Furthermore, when they do so, they often fall short of applying their own guidelines to an adequate standard. Quite simply, development assistance agencies fail to set the examples of good practice that they advocate in wider policy circles" (IIED, London, 1997).

Moreover, the principle of integrating environment and development concerns has, in practice, been weakened by (OECD, 2000):

- the growing "sectoralisation" of environment;
- the increasing "globalization" of environmental issues;
- the establishment and management of funds to be used only for specific environmental programs and projects;
- the frequent neglect of socioeconomic concerns in "environmental" projects; and

- the frequent add-on nature of separate environmental plans and planning systems.

A major strategic challenge confronting donor organizations, the Bank and recipient governments alike is to target and support CDE processes at the lowest appropriate organizational level. Environment agencies are too centralized and remote to address local environmental issues. The principle of institutional pluralism implies and is widely understood as a "diversification" of institutional partners. The promotion of this principle, i.e. to strengthen local-level institutions by breaking the monopoly of central control will, however, require a significant increase in efforts to decentralize human and local financial resources. Although there are discernible trends in the administrative decentralization of CDE initiatives, only a few donors appear to have an explicit environmental policy guideline to support sub-national structures (OECD, 2000).

“Mainstreaming the environment” in the UNDP context has been taken to mean a movement from beyond “no damage” to “added value” to development through an environmental approach. In addition it has also come to mean the utilization of core UNDP resources for environmental projects and programming at the country level.

A key issue of concern is whether the general and significant shift from project assistance to sector programming will reinforce - or not - institutional monopolies by re-concentrating support through national environmental organizations.

4.2.2 Mainstreaming in Donor Agencies

Generally, all aid agencies have an environmental unit or some form of resident environmental expertise, usually situated in a central advisory unit of the agency. Environmental units have wide-ranging mandates, including policy and instrument development, provision of environmental advice regarding both bilateral and multilateral programs and projects, and participation in or coordination of aid agency input in global environmental issues. The number of staff with specific environmental expertise appears to have leveled out after several years of growth (OECD, 1999).

Environmental units are often faced with capacity problems forcing them to concentrate more on day-to-day issues, leaving less scope to invest in the development of policies or tools, or to review the environmental objectives of the agency. Provision of environment-oriented training is hampered by capacity limitations. Strategic planning and priority setting will be required in the future to ensure that resources are allocated in such a way that environmental units can contribute effectively to the overall policy objective of sustainable development.

Although donor countries’ continue to accord a high priority to environmental issues, the continued under-performance in translating policy into practice can be attributed to (OECD, 2000):

- the gap between the priorities accorded to environmental issues by the donor community and by recipient governments;
- significant generic and specific environmental capacity constraints in both donor organizations and recipient institutions; and
- aid delivery mechanisms (and the modalities for planning and implementation within most donor organizations) which have not evolved at the same pace, or to the same extent, as their

own conceptual and policy-making structures.

Environment units in donor agencies typically remain over-worked, under-staffed, and have not yet succeeded in mainstreaming environmental knowledge or the transfer of basic environmental skills amongst generalist staff. The following factors would appear to have limited the mainstreaming of the CDE concept within both donor agencies and recipient country institutions (OECD, 2000):

- confusion resulting from the fusion of two poorly-defined concepts - "environment" and "capacity development";
- slow integration of environmental policy with economic development concerns at all levels of government and civil society;
- organizational and financial demands resulting from the substantial broadening of the scope of environmental challenges to be addressed to include "global" environmental issues; and
- absence of any coherent core set of internationally agreed environmental indicators, particularly compared to economic and social indicators.

Most aid agencies as well as multilateral institutions, have devoted considerable energy to the development or refinement of procedures, instruments and guidelines to support the integration of environmental issues in development programming. Planning instruments and procedures are, however, still biased in favor of essentially project-oriented approaches to development programming. This is reflected by the relatively large emphasis placed by aid agencies on EIA, which primarily focuses on the prevention of negative impacts of development projects. On a positive note, however, the new generation of environmental assessments tends to be increasingly geared towards an integrated perspective. An example of an aid agencies' EIA system is presented in Box 2.

A principal objective of many development projects is to improve the environment. The limited availability of environmental staff, coupled with a continued perception of the environment as a risk to be avoided or minimized, has militated against the identification and exploitation of environmental opportunities, both within identified projects and, possibly more significantly, elsewhere. This indicates that the environment as a potential development opportunity – rather than as a development risk – has not been fully mainstreamed or made operational across the bilateral program (DFID, 2000).

UNDP has since 1992 sought to mainstream environmental actions in its programming. Countries' national development agendas continue to be the main driver of UNDP's country programs. Mainstreaming of the environmental agenda continues to be a priority concern of UNDP. Where these two circles of priorities overlap, country programs have strong environmental agendas. Where they do not, it is found that the environmental agenda is considerably weaker. With continued dialogue, capacity building and emphasis on the process of planning for environmentally sustainable development, a shift is slowly being generated. It is therefore expected that with the new UNDP programming cycle starting 2001, environmental mainstreaming will take a greater share in the country portfolio. This process will be aided greatly by the Sida sponsored "Environmental Mainstreaming Project" which is currently under implementation in UNDP.

Box 2
GTZ's Environmental Assessment System

GTZ implemented as off 1987 an internal environmental impact assessment system into its internal planning procedures that focuses on all new projects in an early planning stage. Desk officers qualify the potential impact of the project while the "environmental department" within GTZ reviews and monitors the internal planning documents. Should the qualification differ to that of the desk officers, the environmental department can take steps to initiate a redesign of the project concept so as to reduce the negative environmental impact. The potential environmental impact is specified on a scale from U0 (quasi no environmental impact), U1, U2, U3, to U4 (unjustifiable negative environmental impact expected). Of the 567 planning procedures for new projects/or change of project concepts (Angebote und Arbeitsvorschläge) in 1998, approximately 80% were categorized as U0 and U1, only 0,3% were categorized as U3 and no project had the category U4. Thus via the internal EIA procedures the environment has been mainstreamed into GTZ planning procedures.

Although Sida has been working with integration of environmental aspects for a number of years, environment is still not completely mainstreamed in all activities and at all levels; some people still see environment as a sector. This leads us to another important conclusion from Sida's experience, namely that mainstreaming environment is a process that cannot be done overnight; it will take time. It is difficult to make people understand that environment is not a sector issue and it takes time for people to change their way of thinking and their behavior. One of the most important tools to achieve this is training of the personnel and Sida's experience shows that on-the-job training is, by far, the most efficient way of training. The establishment of Sida's new EIA Guidelines in 1997 was followed by a series of on-the-job training sessions basically covering all Sida staff, both at the headquarter in Stockholm and at Swedish embassies. Furthermore, in Mars 2000 Sida issued Guidelines for Strategic Environmental Analysis (SEA) to be used mainly in the development of country strategies. On-the job training sessions in how to use these guidelines have recently been initiated. For both of the guidelines Sida has set up helpdesks, for EIA at the Swedish University of Agricultural Sciences in Uppsala and for SEA at the Department of Economics at Gothenburg University. Through the helpdesks Sida staff can easily find expertise and get answers to questions on how to use the guidelines in each particular case.

DFID accords high policy priority to the environment, and has done so for over a decade. It has given very substantial financial support to a diverse range of environmental protection projects in developing countries and has built up very positive partnerships with developing country institutions. Despite a very small number of environmental advisers, and relatively lightweight and informal environmental procedures, most of the potential environmental risks within these projects were identified. Slightly under two-thirds of these projects achieved their intended outputs, and around half were rated as partially or largely successful (DFID, 2000).

While these achievements should be acknowledged, the overall picture with respect to environmental performance is less positive. The high policy priority accorded to the environment has not been matched by increased expenditure on environmental projects, nor reflected and integrated within all DFID country strategies. Indeed, there are indications of a lower operational priority since the White Paper's publication (DFID, 2000). Environment as a potential development opportunity - rather than a risk to be minimized and mitigated - has not been fully mainstreamed or made operational across DFID's bilateral program. Monitoring of environmental impacts (positive or negative) at either program or project level has been virtually non-existent.

There are a number of reasons for this lower than expected environmental performance, and for the declining operational emphasis on the environment. At the project level, limited positive environmental impacts can be attributed to poor overall project performance; to the fact that, despite being marked as environmental projects, the projects were often not designed and/or managed with environment as a major objective; and to the indirect and/or long term nature of the impacts expected. The low operational priority accorded to the environment in some country programs contributed to this outcome.

A major conclusion of the DFID study is that there is a gap between the high policy priority attached by DFID to environmental issues (and the value of projects marked as having environmental objectives) and what has actually been delivered in terms of positive environmental impact through environmental projects. Again, it needs to be emphasized that this is not a judgement of the social and economic impact of these projects, nor of the environmental impacts of the rest of DFID's bilateral program (DFID, 2000).

4.2.3 Efforts to Influence Multilateral Institutions

Through the years bilateral donors have actively supported the World Bank and other development banks' efforts to mainstream environment in its operations and to undertake internal capacity building. Through concerted actions at several levels and through the use of various mechanisms the bilateral donors have been able to influence the agenda and actions of multilateral organizations in the field of environment. One example of this is presented in Box 3.

Box 3 Providing Support to Mainstream Environment in Multi-lateral Organizations

The Nordic donors experience' of collaboration with the World Bank and Regional Banks illustrate one of the most proactive and targeted approaches taken by countries with regards to influencing the agenda and actions of multilateral organizations. A number of channels are being used to push this agenda:

- co-financing;
- discussion at the Board of Executive Directors; and
- meetings with multilateral organizations' management and staff.

Mechanisms have been put in place to get the technical expertise relevant to the issues being discussed on the Boards of these institutions. Through joint discussions a common consolidated Nordic position is developed. The key focus of the actions is to see how well the Banks implement the policies and guidelines that have been developed over the past years in the field of environment. In addition to exerting its influence on the Boards, the donors have allocated earmarked funds for various measures to strengthen the Banks' environmental profiles. Furthermore, secondments are financed to strengthen the Banks environmental departments and funds have been provided to support in-house training of staff in environment. It appears that the portion of the special environmental allocation targeted at Banks and used in co-financing arrangement has had a considerable effect on the institutions. A 1992 evaluation of the for instance the Norwegian special grant for the environment and development, concluded that it is probable that the Norwegian environmental allocation has been decisive in promoting increased awareness, acceptance of and priority for environmental considerations in projects and programs.

Source: Compendium on Good Practices for Operationalizing Environmentally Sustainable Development in Development Co-operation. OECD, 1999.

The Danish experience with active multilateralism is one of the most pro-active approaches by an aid agency to influence the agenda of international organizations, including the treatment and integration of environmental issues (OECD, 1999). The policy of active multilateralism was adopted by the Danish Parliament in 1994 as part of Strategy 2000. Active multilateralism is based on the following principles:

- Denmark will adhere to its multilateral commitment;
- Denmark will seek to influence and strengthen the international system, based on extensive analytical work, in accordance with the objectives of Danish foreign aid policy while respecting the different mandates of the organizations; and
- In its efforts to influence the individual organizations, in accordance with the objectives of Danish development aid policy, Denmark will modulate the size of its contributions to individual organizations – including downsizing – than was the case hitherto.

The means in active multilateralism include cooperation with like-minded member countries, see Box 3 above, political and technical dialogue with the organizations, and interaction between bilateral and multilateral assistance. The Danish multilateral effort concentrates on the governing bodies of the organizations, the secretariats of the organizations, and their activities at the country level.

4.2.4 Views on Mainstreaming of Environment in the World Bank

Bilateral donors have placed considerable importance on influencing the environmental agenda of the World Bank and other international development organizations, as presented above.

The overall perception among donors is that the Bank is good at mainstreaming environment at the policy level, but not at sector and project level in the field. Many donors have the impression that there is a large gap between the Bank's strategy and policy work, and what actually happens in the projects and programs. If the mainstreaming is divided into three parts: 1) attitudes; 2) central analysis and strategies; and 3) every day work in the field – the World Bank does number 2 best. It is, however, difficult to make a judgement on the extent of mainstreaming of the environment from outside of the organization.

It is possible that one of the reasons why environment is not mainstreamed at project and program level is that there is high demand for quick payoffs or for reaching a certain amount of expenditures per year. Environment has definitely been more and more mainstreamed within the Bank during the last few years, but it is a slow process.

4.2.5 Mainstreaming in Sector Work

As mentioned before, the donors feel that the Bank's strategic work is good, e.g. within the *forestry* sector. However, when it comes to implementation the Bank's work is not as good, one example is, again, the forestry sector.

Within *water and sanitation* the Bank has not made sufficient progress. The general impression is that some donors, e.g. Sida, are ahead in that respect. The Bank lacks the cyclic perspective, especially on the sanitation side people cannot see the importance of the water cycle perspective. However, in *urban water and sanitation* projects environment is more mainstreamed. This is also the case for water and sanitation projects in the Baltic region.

Sectors where more progress have been made:

- Natural resource management
- Air, health and environment are well linked
- Water (Global Water Partnership)
- Agriculture – orientation more towards small-scale support instead of large irrigation projects.

Sectors that lag behind:

- Macro economic policy – The integration of environmental issues could have great impact in this area.
- Forestry, at project and program level.
- Infrastructure projects (roads, dams, and industrial support).
- Capacity development
- Human rights
- Poverty alleviation
- Energy sector, particularly hydropower

4.2.6 Summary

There is a remarkable degree of consistency in findings of various evaluation studies undertaken by donors on the issue of mainstreaming of the environment. Many of these report a significant gap between the high policy priority accorded to the environment, and actual practice. A general conclusion could be:

“In practice, donor agencies have not managed to secure a systematic and coherent integration of environmental concerns in all sectors, at all stages of the project cycle, and in all forms of ODA. Environmental guidelines are still not systematically applied or are not used at all” (OECD, 1998).

A variety of reasons are advanced for this gap:

- The lack of clear strategies and monitorable targets relating to the environment;
- The lack of a single authority or unit within the aid agency with responsibility for integrating and monitoring environmental performance (Although the responsibility is decentralized, Sida’s Environment Policy Division has this responsibility at an overall level);
- The wide and general definition of the environment, coupled with the absence of a coherent core set of internationally agreed environmental indicators;
- Limited numbers of specialist environmental staff, and limited awareness among general program staff;
- Institutional capacity constraints within recipient governments and institutions;
- A lower priority accorded to environmental issues by recipient governments, and correspondingly a limited demand for environmental assistance compared with other sectors;
- Environmental projects tend to be relatively complex and more difficult to design and implement; and
- The organizational and financial demands generated by global environmental issues. This applies to both donor and recipients.

4.3 EXPERIENCE WITH ENVIRONMENTAL PARTNERSHIPS

4.3.1 General

There is a wealth of experiences and capacities to offer to support countries in their strategic planning processes on a national level. Bilateral donor agencies assisting in the implementation of development programs have the conceptual background as well as wide, hands-on experience with participatory approaches to strategic planning in different fields, different cultures, and on various hierarchical levels. However, there is little experience to date in supporting the specific kind of far-reaching, comprehensive planning processes that are needed to effectively address environment and development linkages.

It seems to be clear that donor support in national planning processes can best be delivered in terms of capacity development. In this, donors and multilateral agencies should take on a catalytic role, focussing on the methodologies and modalities of process management. Donor agencies need to make every effort to put its respective capacities and experiences together in a consistent package of services, specifically aimed at supporting these crucial processes. Capacities available combined with country experience with subject-matter related, methodological know-how in policy advice (on macro, sectoral as well as theme-related level); experience in moderating and co-ordinating cross-sectoral, multi-donor strategic planning processes; experience with participatory approaches in many different fields and on various levels; etc.. The richness of organizations of the size of donor agencies and the World Bank lies in the width of experiences, spread over a great number of departments and people. Therefore, these experiences need to be carefully looked for and bundled.

The learning process is thus two-sided: It is the partner countries' responsibility to set the scope and speed of their national strategic planning processes. In turn, it is the responsibility of development co-operation agencies to carefully and constructively use the lessons learned from past experiences, and to continue to learn from the actual processes in the future.

4.3.2 Environmental Partnerships with the World Bank

Existing Partnerships

Presently, environmental partnerships with the World Bank are not common, though at the country level cooperation can and does exist. Generally, donors' partnership with the Bank has worked well. This refers especially to areas in which the Bank and the donors have common interests for development of methodologies, e.g. urban environment, coastal zones and marine resources, environmental indicators, linkages between poverty and environment.

Areas that have not worked so well are the areas in which there is not an interest to cooperate and the Bank has seen donors more as a source of finance than as a partner, usually at project and country level.

While donors generally appreciate to team up with the Bank, thus increasing the impact of their activities, and making operations less cumbersome in the usually difficult environment of the client countries, there is less visibility and less flexibility than in truly bilateral cooperation. According to a recent survey/study undertaken for the Swiss Development Agency, secondments to the Bank combined with focused co-financing for related specific projects/programs seem to have been most effective and beneficial to ensure visibility, and should be continued/expanded.

However, the Bank needs to develop a clear policy on the role of the secondees in the organization.

The actual partnership, exchange of experiences and ideas and the Bank's coordination of different areas of interest could be improved. The Bank is an important actor, whose activities can have a considerable positive environmental impact, if the organization would take on a more active approach towards the integration of environmental issues.

To give an example from the field, the Bank is one of the actors supporting environmental activities in Tanzania. However, the Bank does not seem to be very active when it comes to donor co-ordination or spreading information about its work in general. One exception is, however, the World Bank supported project to establish a new institutional framework on environmental management in Tanzania. After criticism from the donor community the Bank has shared information and discussed this important project with relevant stakeholders in the country. The above mentioned support to environmental management in Tanzania seems to have worked rather well. The Bank has stepped back and clearly emphasized that it is the Government of Tanzania that owns the activities and not the donors. It has provided funds and expertise but has not interfered with the decision making process or tried to influence the outcome of the work.

An overall assessment of UNDP-World Bank partnerships has not been carried out, however, there is a strong top management commitment towards establishing partnerships, not only with the World Bank, but also with other development partners. UNDP has a number of partnership arrangements in operation with the World Bank. Many of these are entered into in a project specific context. Others are of a more "corporate" nature. These partnerships include Energy Sector Management Assistance Programme (ESMAP), Water and Sanitation Program, Public Private Partnership, UNAIDS, CGIAR, Co-Hosts for the Global Mechanism for Desertification Convention, IFPRI, the International Waters Partnership and of course collaboration as co-implementing agencies in the Global Environment Facility. In addition the two are collaborating in many thematic fields, such as land, water, forestry, cities, etc.

In the past, there was a sense among some of the managers in UNDP that the World Bank was largely interested in collaborating with UNDP so that it could receive grant resources from the UNDP. This is much less the perception today, largely due to the active role of the Administrator. In the past, there was also a perception (at times probably not incorrect) that UNDP was being "drowned out" by the Bank in UNDP-World Bank partnerships. Blame for this lies clearly on both sides of these past partnerships. This is, however, increasingly in the past, as there has been a new management culture favoring partnership as well as a conscious effort from the side of both organizations to make these partnerships "win-win".

Future Partnerships

Donors would like to support the Bank's work with development of methodologies within areas that are of common interest to both organizations. Donors have also expressed that support to the Bank through seconding of persons who can develop his/her knowledge and act as intermediaries between the two organizations will be continued.

Apart from the areas of common interest mentioned above, some donors have indicated that possible future partnership areas could be: forestry; mainstreaming of environmental issues in civil service reforms; and human resource capacity development, with the Bank as lead agency.

4.3.3 Aid Agencies and Ministries of Environment: Emerging Partnerships

The maturing of the environment as a priority area is well demonstrated by the growing inter-agency co-ordination that can be observed in many countries, e.g. Norway, Sweden and USA. Co-ordination between aid agencies and Ministries of Environment has increased in many countries. This focuses on policy co-ordination concerning the follow-up of Agenda 21 and the contribution towards implementing Global Environmental Conventions. In a number of cases, it also involves participation in the development of instruments (e.g. EIA) and the planning and implementation of training courses and even execution of projects, especially institutional strengthening and capacity building (OECD, 1999).

4.3.4 Cooperation with the Private Sector

The increased importance accorded to the role of the private sector in development co-operation and environment is relatively new. In addition to its role as a partner in the execution of projects, the private sector in a number of countries is also becoming involved in policy discussions on issues related to environment and development cooperation. Furthermore, the growing number of technology co-operation programs, including cooperation in cleaner production technology, e.g. the Danish programs, illustrate the importance given by aid agencies to the potential role of the private sector in building up an indigenous environmental management capacity in developing countries.

Several bilateral donors have established separate equity funds investing in environmental development projects.

4.3.5 Cooperation with Other Partners

In recent years co-operation with non-governmental organizations (NGOs) and research institutions have intensified in many countries. Aid agencies are giving considerable support to a number of key international NGOs active in the environment and development issues even though most environmental NGOs have limited implementation capacity. These NGOs are especially valued for their contribution to the further operationalization of sustainable development and their activities in networking and information sharing.

Research organizations are important sources of knowledge and expertise. Their contribution is being sought in the process of operationalization of sustainable development, development of innovative program and project approaches, evaluation of projects and research on the effects of development projects (follow-up research).

4.4 VIEW ON THE EFFECTIVENESS OF THE BANK'S ENVIRONMENTAL ASSISTANCE

4.4.1 General Views

The Bank is widely respected for its capability to finance comprehensive programs in the environment/development sphere. Undoubtedly, the Bank has strong technical expertise in analyzing issues related to the environment/development link, in proposing legal, institutional and technological responses, in providing technical assistance, training etc. Being the world's largest development bank, the Bank can effectively use its expertise, credibility and weight in playing a leadership role in agenda setting, e.g. regarding the need for institutional reforms, formulation of

long-term strategies etc.. However, beyond agenda setting, i.e. in policy formulation, decision making and implementation, a catalytic role of donors is required, ensuring local ownership, allowing complex and time consuming processes to evolve, supporting organizational change and institutional development, motivating all relevant stakeholders to get involved, assisting partners in terms of process management etc. In some cases, the Bank has shown to be too product and outcome oriented, neglecting, that complex processes of change need time to become focussed. In cases, where capacity development is needed, i.e. technical assistance in combination with organizational development, institutional development and process management, the Bank would certainly benefit from co-operating right in the beginning with organizations specialized in "process skills".

The strong technical expertise and the large number of technical staff give the Bank a presence and an ability to engage at a large variety of levels, - something which smaller organizations may not be able to do so easily. Whereas other organizations, by virtue of their size and their slimmer staff resources are required to put a great deal of effort of the "process" part of the environmental assistance, there may be a tendency among some of the Bank units to over-focus on the "product" side. As a result, technically outstanding reports are produced at the country level, which at times have limited ownership and are therefore not integrated into domestic policy. In the donor context, it is considered much more important to have a very extensive and inclusive "process", even if the quality of the "product" may be less than if it had been produced by a crack team coming in from abroad. The Bank might want to assess the balance between process and product, to ensure a greater ownership and thus subsequent implementation of policy initiatives.

4.4.2 Views on Effectiveness of Types of Interventions

The Bank has, according to donors, done important efforts in many areas, e.g. poverty/-environment. However, there is still a long way to go, especially regarding conclusions on economic growth and environment; environmental versus social and economic issues; linkages between development and biodiversity are also of fundamental importance.

At policy level the linkages between environment and development have improved during the last few years, but at project/program level this still seems to be a problem.

When it comes to systematic solutions there is still a good deal to be done, e.g. linkages between rural and urban development and return of nutrients to the soils. The Bank could also put more effort into the area of institutional development.

The Bank could (and does to a certain extent) make use of its access to advanced thinking and analysis. If this is combined with the Bank's financial resources the effect could be very positive; the pressure could to a large extent contribute to sustainable development.

Donors find the Bank's Country Assistance Strategies (CASs), e.g. China and the Baltic countries, very well done and should be seen as good examples. The integration of environment in CASs is generally found to be weak. The Bank also emphasizes the importance of preparation of National Environment Action Program's (NEAP), however, the NEAPs have too often been written by consultants and have therefore not been very firmly established within the country. A study undertaken by the Bank (World Bank, 1996) showed that most borrowers facing the challenges posed by the Bank environmental requirements do not feel strong ownership of the NEAP process or, to a lesser degree, of environmental assessments. This is, in large part, explained by domestic capacity constraints. Country environmental agencies are small and their

work methods are often less than efficient. There is a capacity deficit in government and a severe shortfall in domestic consulting capacity. Furthermore, the requirement to carry out a NEAP has not taken sufficient account of country circumstances. Making Bank lending conditional on the completion of a NEAP has seriously eroded support from borrowing countries and local NGOs. It has made the exercise appear more as a formality to satisfy the Bank rather than an opportunity to do something useful.

The analysis of structural adjustment programs and their impacts on the environment need to be improved.

The economists' usually dominate the Bank's work. Environmental issues are often included, but dealt with primarily on the side. It should instead be an integrated part of everybody's work and an issue, which should be emphasized.

Unfortunately there are signs that environment is still seen as a sector at the very highest policy level within the Bank; e.g. at the presentation of the Comprehensive Development Framework, environment was described more as a sector both in written form in the document and at the presentation itself. But, at a somewhat lower policy level this is not the case. The way in which the Bank is currently developing its environmental strategy and policy is, however, promising for the future work.

In the field there is generally a lack of holistic perspective. Monitoring also needs improvement.

The use of EIA seems to have developed rapidly and well within the Bank. However, the way EIA is done may not be sufficient; it ought to be done with a more long-term perspective.

Thus the view is that the World Bank's strength does not lie in environmental capacity building in central or local environmental agencies. To have a sustainable impact capacity building needs permanent advisory staff that assist institutions on a longer-term basis. Furthermore, the impression is that World Bank management instruments are more adapted to managing larger portfolios e.g. for infrastructure investments. They seem too complex, too rigid and ultimately too costly for capacity building projects with smaller budgets.

4.4.3 Examples of What Has Worked and What Has Not Worked

As part of the study the Bank wanted specific information on what has worked/not worked in some key areas. The response for Sida provided an interesting approach to this question, as shown below.

☺ *Environmental capacity building in central environmental agencies*

Generally, the perception among Sida staff is that the Bank is good at environmental capacity development in central environmental agencies (approximately grade 4 on a scale of 1-5, where 5 is the highest score).

☹ *Environmental capacity building in local agencies and in non-environmental agencies*

According to Sida staff the Bank is not good at environmental capacity building at local environmental agencies and non-environmental main-line agencies (grade 2 on a scale of 1-5).

☺ *Natural resource management*

The persons interviewed generally consider the Bank's work to be good within the area of natural resource management (grade 3.6). It is interesting to note that the person with most experience from working at the Bank was very positive and gave the highest score (5).

☺ *Pollution control*

When it comes to pollution control the perception among Sida staff is also rather positive (grade 3.6). The Bank's increased focus on issues related to carbon dioxide is generally considered to be very important.

☹ *Private sector partnership*

Within the area of private sector partnership the Sida staff's perception of the Bank's work is not very good (grade 2.3)

☹ *Promotion of development alternatives*

According to the persons interviewed the Bank has not come very far yet within the area of promotion of development alternatives, such as renewable energy and energy efficiency (grade 2). However the Bank's work in the Baltic region is a clear exception. There are also positive signs for the Bank's future work in other regions, mainly through the draft paper called "Fuel for thought", which one of the interviewed describes as very interesting, controversial and progressive, but with a balance. However, it is uncertain what this paper will actually lead to, since its status is still unclear.

4.4.4 Examples of Activities the Bank Should Pursue and Stay Away From

Due to a limited number of replies only indications can be given on the type of activities the Bank should pursue further and activities the Bank should stay away from.

Fields that the World Bank should develop further are:

- The Bank has an enormous potential to contribute to sustainable development if the strategic work is combined with the financial resources. – It is important to put the beautiful words in the policies into practice in the field;
- Poverty and environment;
- Health and environment;
- Country assistance strategies and sustainable development, the strategies should include an analysis of the resource base and sustainable development;
- Integration of environmental aspects into all activities and particularly into economic analysis and infrastructure projects – effective mainstreaming;
- Environmental legislation and good governance;
- Monitoring activities;
- Promoting development alternatives (renewable energy);
- Financing waste water treatment and sanitation programs; and
- Financing landfills and equipment in solid waste management.

Generally, it is not the activities per se that are important, but how the activities are realized/implemented. However, many of the persons interviewed suggested that the Bank should avoid:

- large dams and projects that will imply large resettlements;
- nuclear power (already stays away from this); and

- possibly also oil and gas exploitation.

4.5 POVERTY ALLEVIATION

4.5.1 General

The vast majority of donors and multi-lateral development organizations have explicitly made a formal commitment to poverty reduction by identifying it as their overarching goal or as one of their two or three overarching goals (see Table 1). The DAC High Level Meeting, held in Paris, 11-12 May 2000 reconfirmed the commitment to poverty reduction. In the statement “Partnership for Poverty Reduction: From Commitment to Implementation” all DAC Members reconfirmed the shared objective of eradicating poverty and welcomed the convergence within the international community around comprehensive development frameworks, integrating national anti-poverty strategies (as captured in country-owned Poverty Reduction Strategy Papers).

Table 1 Formal Commitment to Poverty Reduction (PR). Source: OECD

PR is Sole Overarching Goal	PR is one of two (or more) Overarching Goals	PR is not an Overarching Goal
Australia, Canada, Denmark, Ireland, Luxembourg, Netherlands, Norway, Spain, Sweden, UK, UNDP, World Bank	Austria, Belgium, EC, Finland, Germany, Italy, Japan, New Zealand, Switzerland	France, Portugal, USA, IMF*

* With reference to the recent joint statement by the Bank and the IMF that they share the same broad objective of “helping to improve the quality of life and reduce poverty through sustainable and equitable growth” the classification of IMF should be changed to the middle box.

UNDP programs its resources through a Comprehensive Country Framework (CCFs) within the overall United Nations Development Assistance Framework (UNDAF – a new tool which is being implemented). The World Bank’s Comprehensive Development Framework (CDF) will further complement this ODA planning process. The Administrator of UNDP has stressed in his December 1999 Business Plan that there is a need to strengthen the UNDP-World Bank partnership “...both around the CDF and more broadly around a new assessment of mutual comparative advantages”.

4.5.2 Mainstreaming of Poverty Reduction

If agencies are to maximize their impact on poverty reduction, then their poverty reduction objectives must be taken into account in all agency activities and at all organizational levels. In other words, poverty reduction goals and strategies must be mainstreamed throughout the agency if they are to translate into concrete benefits for poor people. Effective mainstreaming requires that development agencies take actions in three spheres:

- Agency policies, procedures and organizational culture;
- Agency country assistance strategies and interventions; and
- Country-level dialogue to effect changes in developing country institutions, policies and socio-cultural environments.

There is a perception that environmental improvement and protection is less likely to contribute to poverty elimination than are other interventions, and that the environment is now a lower

priority more generally. Attention has become focused on the economic development target - which is a reduction by one-half in the proportion of people living in extreme poverty by 2015 - rather than the combination of international development targets, which include environmental sustainability and regeneration. The importance of the protection and better management of the environment as one of the three cornerstones of sustainable development, as well as an enabling action which is critical to achieving wider international development targets, has tended to be forgotten.

The importance of a sustained natural resource base for the rural poor, and of an improved environment for the urban poor, is accepted in general terms. However, to argue that environmental protection and improvement is a necessary and important part of poverty elimination for present and future generations is not to say that it is straightforward. Four points need to be recognized :

1. environmental protection can no longer be an end in itself, as was sufficient in the early and mid- 1990s;
2. reducing poverty within a growing population in a finite world can only be achieved at the cost of some environmental quality. There will sometimes be a trade-off between environmental and poverty objectives, particularly in the case of global environmental objectives;
3. the international development targets for environmental sustainability and regeneration are, compared with the target for economic well-being, imprecise and difficult to measure; and
4. the positive links between environmental improvement and poverty reduction need to be demonstrated, not merely asserted.

This last-mentioned point is particularly important. Many people are skeptical about the prevalence of environment/poverty win-win opportunities, and the potential of environmental projects to make a direct contribution to poverty reduction. This potential needs to be researched and demonstrated. Equally, the case for environmental protection and improvement - and for environmental sector projects - as an enabling,, measure needs to be made.

The case for environmental protection and improvement as a means of poverty reduction needs to be based on argument and evidence. As with the links between project outputs and environmental improvement, the links between environmental improvement and poverty reduction need to be researched and clearly specified, not merely assumed and asserted. The corollary of this is that there will often be better ways of addressing poverty than through environmental protection and improvement. his also needs to be accepted (DFID, 2000).

There will be a temptation to try to make existing or planned environmental interventions more poverty focused, or vice visa. This may be beneficial in some cases, but it is not a general solution. Retrofitting is either unlikely to be effective or may simply confuse. A better option is to research and focus on specific areas or themes where environmental improvement can make a central and substantial contribution to poverty reduction and/or the sustainability of poverty reduction. These may not be obvious, certain or easy. Urban health is one possibility that is now being explored by DFID. The key point is that environmental considerations and interventions need to become demonstrably effective as a means of achieving poverty reduction, not just worthy add-ons or risks to be avoided. If they do not, they will become further sidelined (DFID, 2000).

4.5.3 Views on the Bank's Realignment to Poverty Alleviation

The World Bank as well as other IFIs (e.g. the Asian Development Bank) has realigned its activities to poverty alleviation mainly through two main initiatives:

- Based on the World Bank's 1998 report "Assessing Aid", the President of the Bank put forth his proposal for a "*Comprehensive Development Framework (CDF)*" in January 1999. The CDF represents a widening of perspective, from a focus on macro-economic indicators, to include structural, human, physical and country-specific factors in development planning, and to increase transparency of activities and plans between different actors in the planning process (government, civil society, the private sector, and the donor community). Basic principles of the CDF are the ownership of the framework by the respective countries, a holistic approach, a long-term vision, and a broad involvement of all relevant actors. The central management instrument of CDF, the CDF matrix, is currently being tested in 13 countries, all of which are self-selected.
- Meanwhile, the IMF and the World Bank have initiated a second initiative that has, within the shortest time, come to be the most prominent one in the current discussion: The call for developing countries to elaborate "*Poverty Reduction Strategy Papers (PRSP)*". Following the Cologne G7/G8 summit in June 1999, PRSPs represent a switch in the strategic orientation of the Bretton-Woods institutions. In an attempt to strengthen the link between debt relief and poverty reduction, countries must demonstrate their commitment to take action against poverty. Based on the experience that ownership is a basic condition for the commitment of countries to implement such strategies, and on the knowledge that, in order to be appropriately targeted, the people affected by their outcomes must be involved in their elaboration, PRSP are – like CDF – to be established in country-driven, results-oriented, participatory processes, based on a long-term perspective.

Both initiatives clearly have a number of common objectives as well as characteristics. The basic intention behind them is to set a solid, comprehensive, and commonly agreed framework for all actors involved in the development process, thereby improving the institutional and political frame conditions of the countries concerned, as well as increasing transparency and enhancing donor co-ordination.

However, there are also a number of differences between them. The strengths and weaknesses associated with each of them are related to their respective context and objectives, and seem to be manifested in three main leverage points that may be decisive for their long-term success (GTZ, 2000):

- The extent of *process orientation and openness*. CDF provides specific directions in terms of how these processes ought to be organized, and what contents may be crucial. PRSPs, on the other hand, clearly focus on a specific aspect of development (poverty alleviation) and relate this to conditions for debt relief. Although there is a clear commitment on the side of the IMF and the World Bank to "put countries in the driver's seat" and to promote and support participatory processes, there must necessarily be limits to the openness of these processes.
- The implementation of debt relief exert *pressure* on HIPC countries to respond to the demands of the donors. The international donor community in the process asks for certain conditions to be fulfilled before major debt relief is agreed upon. However, it is just these conditions, and the pressure associated with it, that must inhibit true feelings of ownership and active, self-determined participation across sectors. CDF on the other hand, have rather less pressure behind it. While this has made progress slow in some cases, and some processes

temporarily got stuck, the final outcomes of these strategic processes may be assumed to be more truly country-owned than those of PRSP.

- The third aspect is the extent to which the *ecological dimension of sustainable development* is considered. The ecological dimension of development plays only a limited role in CDF. PRSP, in contrast, is not explicit at all regarding ways to deal with environmental issues.

Considering these strengths and weaknesses, the risk, it is that the different initiatives continue to run independently from each other, and that the chances for synergy and coherence are missed in favor for increased proliferation of strategic planning demands, competition and dispersal. To make full use of those chances, and to minimize the risks, there is need to move from the observed convergence of thinking to a coherence of action (GTZ, 2000).

To make all of these efforts meaningful, one must not forget that neither CDF nor PRSP, are objectives in themselves. Rather, they are means to promote sustainable development, strategic planning, and poverty reduction.

The Bank's commitment to realigning its activities to poverty alleviation is well known among staff in the donor agencies, but interpreted in different ways and has stirred some confusion and emotions within the aid administration. Environmental specialist in some agencies responsible for development assistance still mainly perceive the Bank's realignment as a potential stepping back to the times before Rio 1992. In the Bank's new approach, environment as third dimension of sustainable development seem to be of lesser value than economic development and social/welfare policies. Particularly global environmental issues such as biodiversity, climate change and protection of the ozone layer may receive less attention, if the Bank's realignment on poverty reduction (as perceived) will be followed.

4.5.4 Poverty and Environmental Assistance

The objectives and the principles of CDF are widely accepted even though staff at the various donor agencies' are not very familiar with the concept and what it entails. CDF can play a useful role as a management instrument, both in terms of national planning and donor coordination. However, in some cases CDF, in particular with the emergence of PRSP, is perceived as a World Bank initiative, thus eroding local ownership and participation. In this context, the points raised under question number 4 equally apply here due to the complexity of meaningful strategy processes at national level. There is a risk of CDF/PRSP competing with National Strategies for Sustainable Development, which have been declared an international development target by the DAC, as clarified by the DAC High Level Meeting in May 1999. Environment and sustainable development are not adequately reflected in CDF, and even more so in PRSP.

Several donors have addressed the links between poverty alleviation and the environment. Since 1985 environment policy within DANIDA has been viewed as a means of achieving the principal aid policy objective, which is the structural alleviation of poverty. This is similar to post-1997 DFID policy. The Danish Ministry of Foreign Affairs evaluated its assistance in 1994 and two findings from the evaluation are still relevant. First, poverty can be both a cause and a consequence of environmental problems. Second, poverty alleviation and environmental improvement may conflict, in the short term at least. The evaluators recommended further study of the links between poverty reduction and environmental management, in order to increase the contribution of environmental policy and programs to poverty reduction.

The focus on poverty seems to be steadily increasing in the portfolio of environmental projects. The transition from seeing people as a means for helping the environment, to seeing environmental improvement as a means for helping people, is a precondition for effectively addressing poverty.

Increasing the environmental impact of the bilateral programs will require more than a restatement of the importance of the environment to the donors' aim of poverty elimination, and more than focused initiatives to act on the links between poverty and the environment. The findings of evaluations suggest that four other conditions need to be met if the gap between policy and practice is to be bridged (DFID, 2000):

- the full *integration* of the environment within bilateral strategies;
- clear performance *targets* for the environment;
- a unit with *sufficient resources and authority* to promote and support the environment as integral to poverty elimination; and
- a unit with responsibility for *monitoring* environmental performance.

Sida's experience is that training of key staff in environment issues and the use of EIA has been important to mainstream the environment into all sector work.

5. CONCLUSIONS

Donor agencies, including multilateral institutions, have not been able to integrate environment effectively, however, considerable progress has been made in terms of the growing importance of environment in general and the growing mainstreaming of environmental issues. Integration of environment presents a profound challenge to donor organizations and recipient country institutions because of the complex interplay of sociocultural, political, economic and environmental interests. A lucid cautionary note raised in 1995 is still relevant (OECD, 2000):

"Raising the environmental performance of organizations and people in any society is a daunting task even for its own citizens. Assuming this can be done easily by outside intervenes may be the first mistake in any capacity development Programme. Recognition of the need to experiment, listen and learn may be the first step to some sort of progress."

If the goal of reversing current trends in the loss of environmental resources is to be effectively addressed at local and national levels three objectives of environmental processes require specific attention. These are:

- strengthening of capacities at the lowest appropriate institutional level to plan and implement projects and programs;
- strengthening of capacities to effectively utilize and apply existing environmental tools and instruments and to monitor environmental impacts by involving stakeholders; and
- strengthening of capacities to mobilize additional and sustainable sources of funding.

Integration of environment could also be improved by:

- strengthening planning of environmental projects/programs particularly in terms of undertaking more thorough ex-ante organizational analyses, assessments of the institutional setting and organizational capacities;
- matching policy objectives more closely with realistic timeframes for implementation and longer-term commitments;
- integrating environmental, social and economic aspects at all levels of decision-making – i.e. “mainstreaming”;
- harmonize environmental procedures and environmental guidelines with available capacity;
- adopting more flexible project programming approaches; and
- adopting more flexible approaches to funding and reporting.

The pursuit of self-standing environmental projects and establishment of specific environmental grant schemes by many donors reinforce the view of the environment as an add-on, or separate

sector. This approach limits the true integration of environmental concerns into long-term policy dialogue on sustainable development options, country assistance strategies, and sector investments and programs.

In addition to the conclusions presented above some generic lessons reported by DFID relating to environmental issues may be presented (DFID, 2000). These are:

- according a high policy priority to environmental considerations is insufficient. Donor policies need to be translated into monitorable strategies and performance targets;
- projects need to be designed and managed for environmental benefits if environmental benefits are to be realized;
- environmental advisers in donor agencies do make a difference. However, a wider commitment to, and understanding of, environmental issues among other staff and senior management are equally important;
- links between environment and poverty need to be identified, understood and demonstrated. Projects with environmental objectives are capable of making focused, inclusive and enabling contributions to poverty elimination but may also conflict with poverty elimination in the short term;
- effective implementation of environmental procedures requires monitoring;
- environmental procedures and manuals are more effective at ensuring that environmental risks are avoided and managed, than at ensuring that environmental opportunities are identified and exploited;
- modest scale, local projects may generate more immediate environmental benefits than larger regional or national projects. Where environmental benefits can only be indirect and long-term, critical examination of the links between short-term outputs and long-term impact is required;
- resources need to be allocated for strategic or sectoral impact assessment, and/or for the establishment of comprehensive monitoring systems to be able to report on environmental impacts;
- mainstreaming and integrating environmental considerations are not helped by the wide and diverse nature of the 'environment'. More specific initiatives in consort with other sectoral interests, such as health or education, may help.

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Annex I

World Bank Staff Members Contributing to this Study

Ms. Inger Andersen, ENV

Mr. Jakob Granit, AFTU1

Mr. Hans O. Ibrekk, ENV

Mr. Guenter Riethmacher, ENV

Ms. Ina Marlene I. Ruthenberg, LCSEN

Ms. Stefan Schwager, ECSSD