
Development Assistance and the Integration of Environmental

Concerns: Current Status and Future Challenges

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Increasing awareness of resource degradation and pollution has formed a new and complicated cross-sectoral challenge to development policy and aid programmes. The bilateral as well as multilateral development community has had to address pressing environmental concerns, and adjust organizations and policies to new demands and expectations relating to the nature of development assistance. However, little is known yet about the content, quality, and effectiveness of these responses. In this article, we synthesize the findings of one of the first detailed assessments of a donor country's performance in this area. The article is divided into three sections: (1) an overview of the overall environmental challenges to development aid, including a discussion of the trade-offs between environmental and other aid goals; (2) a summary of key findings of the evaluation of Norwegian aid performance in the environmental field; and (3) proposals for policy reforms based on these findings.

The Environmental Challenges

A major share of Norwegian development assistance is directed to the poorer part of developing countries, with southern and eastern Africa as the main target area. Here, environmental challenges differ from the 'modern' pollution hazards facing rapidly growing Asian economies. For the poorer developing countries, the environmental problems are generally closely linked to the management of natural resources in agriculture, forestry, fishery, off-farm resources, and energy. They fall into the following broad categories:

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

Understanding the dynamics behind environmental degradation is an essential basis for the formulation of implementable development aid policies. However, the causes of environmental problems in poorer parts of the developing world are complex and strongly interrelated. Poor people are both victims and agents of environmental damage. Acute poverty forces people into a range of unsustainable patterns of resource management that often serve to undermine their own development prospects in the longer term. About half of the world's poor live in rural areas that are environmentally fragile, and they rely on natural resources over which they have little legal control. Poverty also fuels population growth, creating a vicious cycle that further aggravates poverty as well as environmental degradation.

Accordingly, poverty leads to environmental degradation, and if this is not seriously addressed, environmental problems become a serious obstacle to development—thus perpetuating poverty. The overall extent of this dilemma varies significantly between countries and regions and is clouded in huge uncertainties. Enough is probably known, however, to suggest that there is only one major avenue for coping with the dilemma: sustained efforts to alleviate poverty through sound economic development. The positive side of the coin is that substantial synergies exist between alleviating poverty and protecting the environment. Economic activities stimulated by environmental policies—such as the use of agroforestry and windbreaks to slow erosion, and the construction of infrastructure for water supply and sanitation—are often labour-intensive and thus can provide employment. Measures such as credit programmes and the allocation of land rights to squatters increase the ability of the poor to make environmental investments and manage risks. Investments in water and sanitation and in pollution abatement will also benefit the poor by improving their health and productivity.

There are many indications that economic development stimulates environmental concern. Awareness, knowledge, and ability to handle environmental challenges tend to increase with higher living standards. The same goes for an efficient environmental management system, including legislation, proper regulatory measures, monitoring, and enforcement, which all are more likely to be attained in

countries experiencing sustained economic development. Add to this the importance of a strong civil society, including environmental NGOs—that have been major catalysts of environmental improvements in other countries. For these reasons, the current economic and political reform process—although environmentally problematic in some ways—may prove beneficial in the long term.

Facing the Trade-Offs

Poverty is the key environmental problem in large parts of the developing world. As long as enhanced development efforts and environmental protection measures go together (and even are mutually reinforcing)—as we have just argued is often the case—aid policy-makers face benign choices of action. There are, however, bound to be cases where environmental values and goals have to be balanced against other key goals in development assistance. Such trade-offs fall in three main categories:

1. Environmental protection versus economic growth. The many environmental controversies over hydro-power schemes in developing countries serve to illustrate the conflict potential between these two major aid goals. Access to electricity has important developmental spin-offs. It is also in many regards good environment and health policy, in that electricity in these regions in a longer perspective tend to substitute for the use of various forms of biomass. Still, there are obvious negative environmental impacts, as well as the social ramifications due to forced resettlement of people located in dam areas. The most heated conflicts in this field typically involve the World Bank and national–local governments on the one hand, representing ‘development interests’, and local and international environmental NGOs on the other hand—the latter groups often supported by strong domestic constituencies in Western countries. Bilateral development agencies are increasingly drawn into such controversies. Current widely publicized conflicts where Norwegian aid is involved are found in Namibia, Tanzania, Chile, and Laos. Aid policy-makers face similar dilemmas in, for instance, industrial projects resulting in waste and pollution to land and water.

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

management are less malign than perceived to be some years ago.

When discussing the nature and extent of trade-offs between environment and development, there is no way to avoid the complex issue of what environmental standards should be applied at given levels of economic development. There is no objective answer to the question ‘how clean is clean?’. Almost by definition, development implies environmental interference in some way or another. The question is how much environmental degradation can be tolerated without either rectifying measures or demands for a full stop to the given activity. It highlights the issue of what comprise reasonable levels of environmental standards, a question which is often complicated by scientific uncertainty. Environmental NGOs in the North argue for the same (strict) standards for investments at home and abroad, including in developing countries, and they have succeeded in pushing Western governments quite far in this direction. Many poor governments, on the other hand, are becoming increasingly vocal in their resistance to this rather extensive form of green conditionality. Caught somewhere in between are many aid agencies who try to define compromises tied to the particular circumstances in a given country—physically as well as in terms of culture and historical traditions.

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

On the other hand, the fact that aid agencies are requested by their respective domestic audiences to pursue a range of other goals is bound to conflict with efforts to sustain local ownership in developing countries. The environment is a case in point. Today, OECD-country governments and multilateral agencies are virtually competing over who can administer the greenest development assistance programme—pressed as they are by continuously greener policy agendas in Western countries. There are clear signs, however, not least judging from global environmental negotiations, that governments in poor countries do not fully

subscribe to the convictions of green governments in the North. Despite an intensive North–South dialogue during and after the UNCED process, controversies between rich and poor countries over green conditionality were running deeper in 1995 than ever before.

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

Moreover, there is an implicit but perhaps more important trade-off present in this area: donor choices between on one hand high-visibility environmental-sector projects (global or local), with potentially high political pay-offs in donor countries, and on the other hand low-visibility poverty-oriented development projects aiming at more efficient resource management in agriculture or forestry. The latter category is generally far more important to the overall sustainability of a given country's development efforts than are specific environmental measures that may be justified in their own right but are often driven by global or donor-country concerns more than those of the country in question. And in an era of shrinking aid budgets world-wide, the different kinds of project compete for increasingly scarcer sources of funding.

The environmental agenda in programme countries is very much donor-driven. Green conditionality may be less 'visible' than in high-level North–South negotiations, but it is more profound—as long as governments have no realistic option of objecting to the priorities established by donors. Donors provide the overwhelming share of financial resources to the environmental institutions of these countries. Even positions in environmental ministries or similar institutions are often financed directly by donors. On average,

more than fifty donor agencies are financing environmental projects and programmes in each country, often with no systematic efforts at co-ordination. In many cases, there are more resources available than governments are able to absorb, leading donors to go beyond government structures. Domestic environmental NGOs benefit considerably from these trends, and the NGO sector is even more donor-dependent than environmental government institutions. All this adds up to rather meagre incentives for recipient governments to generate domestic resources for environmental purposes: they know that green money will flow in, almost irrespective of government performance. To make things even worse, the very management of aid flows draws heavily on administrative and intellectual resources that are in high demand in 'domestic' parts of aid-dependent economies.

3. The environment as one of too broad a range of goals. The integration of environmental concerns is a relatively new aid policy goal. It is but one element in the recent proliferation of aims to be pursued by policy-makers responsible for the formulation and implementation of aid policy. It does not necessarily represent a priority in the more strict sense of establishing a new direction that will substitute for something that has been or will be abandoned. As such, it reflects a harmonious and optimistic view of the potential trade-offs between environmental concerns and other aid policy goals, leaving it to policy-makers to undertake the necessary adjustment.

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

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

by interest groups who want to press aid policy as well as individual projects in one particular direction.

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

Norway's Response to the New Challenge

The Norwegian aid administration has responded to the new environmental demands through two main strategies:

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

This article focuses on how environmental concerns are integrated into all aid channels, on the premise that the environment should be treated as a cross-sectoral issue and not a separate sector. Environmental projects as such are also elements in an overall strategy of integrating such concerns in development assistance, as illustrated by Fig. 1.

The environmental challenge also required a response from



Fig. 1. Aid policy, operational strategies, and implementing measures

all levels of the aid administration:

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

To examine whether Norwegian bilateral aid administration has been able to integrate environmental concerns successfully, we have divided the discussion into four parts according to the organization of the Norwegian development assistance:

1. how environmental concerns have been included in overall goals and principles for development assistance;
2. how the Ministry of Foreign Affairs has performed the task of developing policies that are instrumental in guiding NORAD in its practical work;
3. how NORAD is organized and what kind of environmental guide-lines and routines have been developed;
4. how the project cycle and decision-making procedures have been modified and implemented to accommodate environmental concerns.

These tasks involve several political and administrative units, as illustrated in Fig. 2.

Policy Formulation

Overall Principles for Norwegian Bilateral Development Assistance: Too Many Conflicting Goals

Integration of environmental concerns was established as a goal in Norwegian development assistance policy early in the 1980s. The first governmental directive to this effect was made in 1981, and it was formally established as a basic element in Norwegian aid policy in a White Paper issued in 1984. Later White Papers reconfirmed and further developed environmental aid policy, taking into account important international events like the UNCED process.

The main problem of these policy signals has not been their content as such. Norwegian policy reflects international standards and thinking about environmentally sound development assistance. The problems lay in the proliferation of goals for Norwegian development assistance, and the lack of priorities between conflicting goals. This is not an unfamiliar situation for government agencies. However, the combined pressures from Parliament, NGOs, and media to maximize achievements in all areas of priority—including

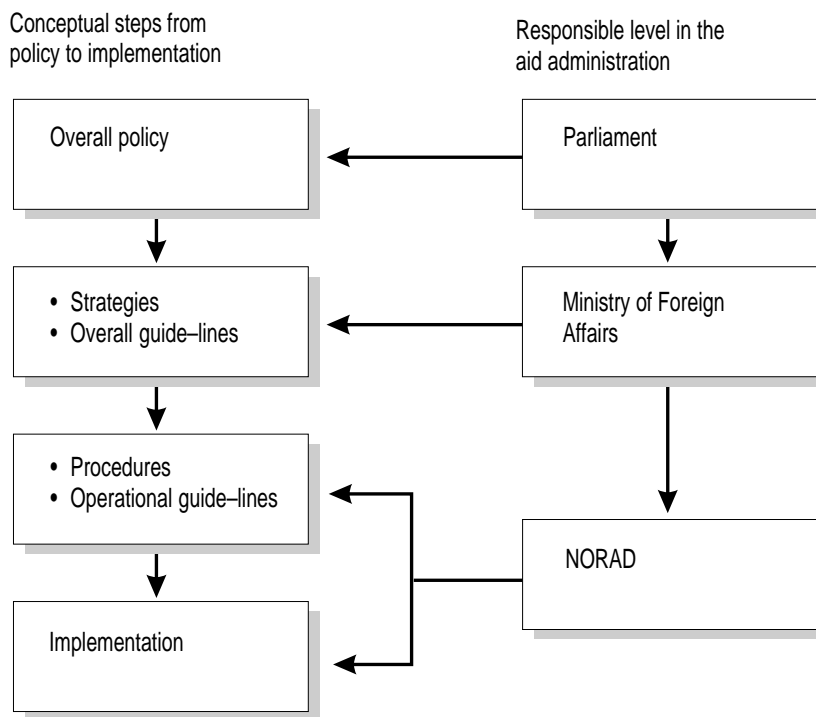


Fig. 2. The policy-making process

the urge to spend more than 1 per cent of GNP on aid, has made life particularly difficult for Norwegian aid policy-makers.

Insufficient Policy Guide-lines from the Ministry of Foreign Affairs

The main responsibility for interpreting general policies and choosing priorities rests with the government and the Ministry of Foreign Affairs. Given the characteristics of the overall policy signals just mentioned, this is an important but difficult task that has not been given enough priority. As a result, NORAD (the implementing agency) has been left in a policy vacuum that the organization was neither mandated nor staffed to fill.

Policy guide-lines has been issued through various documents:

1. *Through the development of an overall environmental strategy.* The Ministry has to date issued two policy documents addressing environmental concerns. The first was a response to the 1986 White Paper, which introduced environmental concerns into Norwegian development assistance. The second followed the 1992 UN Conference on Environment and Development, and was intended to guide NORAD through the comprehensive post-UNCED agenda.

The first document presented several strategies and implementation measures, like the systematic use of environmental assessments (EAs), strengthening of environmental competence throughout the administration, and procedures for interministerial co-ordination. However, the follow-up was far from impressive and its potential as a strategy document was not fully exploited.

The second document dealt with many important policy processes and government White Papers between 1987 and 1992. New policy developments, not least the increasing focus on global environmental problems, underlined the need for a new and updated environmental strategy. However, the document, although useful as a general survey of post-UNCED aid challenges, did not offer any clear operationalization or specific guide-lines on how to choose priorities between conflicting goals and principles. Thus, an environmental strategy facing key policy dilemmas and directed towards each of the aid channels is still lacking.

2. *Through country strategies.* The Ministry of Foreign Affairs has also instructed NORAD through guide-lines directed towards each programme country. The quality and relevance of these guide-lines have clearly improved over the years, which also holds for their environmental dimension. Although still of varying quality, these strategies provide clear priorities for the different aid channels, including

environmental policy. If designed properly, these strategies represent a sound framework for concrete policy discussions on how to incorporate environmental concerns in development assistance.

The Organization of Norwegian Aid and the Environmental Challenges

The quality of the environmental performance in Norwegian development assistance critically depends on the effectiveness of the organization of the aid administration.

The Overall Administrative System

Development policy has been handled by three departments in the Ministry of Foreign Affairs: the Bilateral Department has been responsible for direction and supervision of NORAD; the Programme Department has been responsible for policy work and various cross-sectoral concerns, including environmental issues; and finally the Multilateral Department has handled co-operation with multilateral donor agencies. The environmental expertise was located in the Programme Department, and did not relate closely to NORAD's operational activities, since their formal line of command went through the Bilateral Department. A somewhat blurred division of labour and responsibilities between these two departments on how to relate to NORAD led to confusion in interagency communication on environmental policy issues. This has resulted in an unclear status of the policy signals presented to NORAD, and contributed to a process in which NORAD gained in autonomy and gradually took over some of the strategy work assumed to be handled by the Ministry. The unclear situation further strained communication on environmental issues, and may have contributed to internal conflicts and institutional turf battles between different interests within NORAD.

After a recent reorganization the Programme Department has been dissolved and the environmental officials are now located in the Bilateral Department. Environmental concerns are thus brought directly into the chain of command between the Ministry and NORAD. Although it remains to be seen how this will work out in practice, the new structure brings with it a potential for better and more co-ordinated communication of environmental policy signals from the Ministry to NORAD, and generally a more effective governance of the implementing agency. Improved performance in this respect requires, however, sustained environmental competence and high priority given to policy development in this area.

Since the mid-1980s, the Ministry of the Environment has been involved in a dialogue on environmental implications of Norwegian development assistance. Officials in the Ministry of the Environment have generally felt the task of influencing Norwegian aid policy as an uphill battle, but

have seemingly become more closely integrated in policy work in recent years as existing contact groups have been revitalized.

Environmental expertise in external institutions is also increasingly drawn on in NORAD's efforts to integrate environmental concerns in aid activities. Such co-operation represents a flexible and cost-effective alternative to the development of matching competence within NORAD.

Organization and Procedures in NORAD

Since environmental issues entered the aid agenda in the mid-1980s, NORAD has adapted in several ways to cope with this new cross-sectoral challenge. Some environmental experts have been recruited and a special advisory group on environmental issues, women, democracy, and human rights was established in 1989, reporting directly to the Director-General. At the same time work started on the elaboration of an overall environmental assessment (EA) system. The EA system was first introduced in 1988 through a compulsory training course, which is presently administered by NORAD's own Training Centre. Overall, the environment is given more attention than other cross-sectoral issues, regarding both development of environment-specific manuals and checklists, and in-house capacity building.

However, the general functioning of NORAD as an organization is also important for integration of environmental concerns. Put simply, the more effective the structure and management of NORAD's decision-making system, the better the prospects for proper integration of EA procedures in NORAD's project cycle. Until the late 1980s NORAD's organization led to a blurred division of labour and chains of command, in which it was virtually impossible to track where decisions were actually made. Several reorganizations have improved this situation. The current organizational design and decision-making procedures are structured around a clear line of responsibility from the Director-General through the regional departments down to the resident representatives in the programme countries. The technical expertise, including environmental advisers, are gathered in a separate department, which holds only an advisory position. This means that environmental experts are not able to veto funding of specific projects, but have to bring their influence to bear through more indirect measures.

Notwithstanding major improvements in organizational design since the late 1980s, a number of weak points can be identified in NORAD's organizational response to the environmental challenge:

- Environmental expertise has been felt to be partly missing from important decision-making processes. Routines for internal communication between offices in the Technical Department have often been poor, with different actors

communicating independently with NORAD's line agencies—resulting in unclear and inconsistent advice on environmental dimensions of NORAD projects.

- The separation of environmental expertise in two units has been unfortunate. Their mandates have been partly overlapping, the communication between them has been poor, and the dual structure has been seen by recipients of environmental advice to be somewhat confusing.
- The EA system, which is integrated in the new manual for project cycle management, is not satisfactorily implemented. Only about 50 per cent of the projects examined in the 1994 portfolio could document the compulsory environmental screening. Information on the implementation record is difficult to retrieve, which points to the need for further improvement in routines and probably for some kind of in-house control or watch-dog function to supervise EA implementation across sectors and channels.
- There is still a need for more systematic training in NORAD's EA system. Moreover, NORAD has not had any conscious recruitment policy, and no information is gathered on the professional background of officials with environmental responsibilities. Environmental expertise at programme-country level is sufficient in some places, while in other places there is both little time for environmental work (one fifth of one position) and no specific environmental expertise. There is also a clear potential for extending and improving the environmental support functions that NORAD–Oslo is assumed to provide for NORAD offices in programme countries.

The absence of compulsory routines for consultation with environmental experts has been a matter of dispute in discussions on NORAD's environmental performance. The main argument in favour of compulsory consultation is that it would function as watch-dog and stimulate improved EA implementation performance. On the other hand it could easily create bottle-necks, causing unnecessary delays. Moreover, the lines of responsibility for project decisions would become blurred, which has been a chronic problem in NORAD and a key rationale for recent reorganization efforts.

In the absence of compulsory consultation, an alternative option would be to entrust the new division for quality control (operational from 1 January 1996) with a specific responsibility for the functioning of the EA system. Even more important would be to improve NORAD's general documentation system for project preparation and appraisals. Currently, there is no functioning documentation system at the early stages of the project cycle, making it virtually impossible to control NORAD's environmental record. When routines are improved in these areas, for instance in the form of a computerized documentation system, it will become far

easier for environmental advisers and/or the new unit for quality control to keep track of NORAD performance.

NORAD's Environmental Performance in Practice

The overall complexity of the environmental challenges to development assistance means that there is no clear-cut indicator for measuring implementation records. Efforts made to quantify the percentage of 'green' aid may easily become exercises in futility. If given much attention, such assessments may even give wrong policy signals, since such figures cannot capture the essence of the environmental challenge: the integration of environmental concerns in all development assistance activities. Instead it motivates high-visibility projects targeted at donor constituencies, rather than sustaining recipient-country ownership. The following pages present a qualitative summary of how environmental procedures and routines are followed up in the main channels of Norwegian development assistance.

The System for Environmental Assessment (EAs)

Since the first requirement of integration of environmental concerns was made by the government in 1981, it took more than a decade before NORAD had introduced procedures for environmental assessment of aid projects. Work on an EA system was initiated in the mid-1980s, but the present system was not completed until 1994. The present three-step EA procedure is, however, a useful instrument to detect and evaluate potential environmental impacts of NORAD-funded projects.

The EA system is still not properly implemented. Routines for the documentation of EA performance are not in place. For country and regional programmes, less than 50 per cent of the examined 1994 project portfolio could document the compulsory environmental screening required by the new project cycle manual. The Industrial Development Department has a much better record, however, with about 90 per cent score on the same test (excluding feasibility studies). The good EA implementation record of the Industrial Department is significant, since this is the channel where one is likely to find the most serious environmental ramifications of Norwegian aid activities. However, nothing but a close to 100 per cent score on documented EAs on each NORAD-financed project is acceptable. There are also several other weaknesses in NORAD's implementation record:

- Like other bi- and multilateral donors, NORAD has a long way to go before EAs are made early enough really to influence project implementation.
- Full-scale environmental impact assessments (EIAs) seem to be done on most, if not all, projects with environmental implications that are assumed to be serious. Procedures as well as the quality and content of

many EIAs are contested, and there is scope for improvement in this respect. The 1993 procedures that restrict the task of performing EIAs to companies without economic interests in the project (amended 1994) seem to be adhered to—although with a certain time-lag after the directive was issued. There are also examples of more substantive ‘grey-area cases’, however, which call for further clarification of the procedures in question.

Country and Regional Programmes

NORAD’s annual plans contain a description and discussion of all sector programmes and projects. Environmental concerns have since the late 1980s increasingly been integrated in these exercises—although with variations across countries. Projects promoting improved resource management constitute an important part of country programmes as well as regional programmes.

In several countries, NORAD has been in the forefront in supporting the development of national environmental strategies—most notably in Sri Lanka. Here, the strategy document elaborated in co-operation with national authorities helped catalyse a process towards a National Environmental Action Plan, with funding responsibility gradually shared with other donors like the World Bank. Resources provided through the Special Grant for Environment and Development have been instrumental in providing local NORAD offices with considerable scope for action in the environmental policy field, including the potential to support environmental NGOs and research communities.

NORAD has been more consistent than many other donors in efforts to build capacity and enhance domestic government ownership over environmental policies and programmes. This implies, for instance, more patience in working with and through still very weak domestic environmental institutions and restraint in establishing separate structures beyond recipient government control.

Projects Supported by the Industrial Development Department

Most controversies with respect to industrial projects seem to be related to the quality of full-scale EIAs. Disagreements seem to arise regularly on the content and quality of EIAs, and accordingly whether EIAs provide an appropriate basis for final decisions of the fate of the projects in question. On the one hand, there is scope for improvement in EIA routines and implementation. On the other, Norwegian controversies over whether sufficient care has been taken to scrutinize all possible environmental implications serve to illustrate dilemmas concerning recipient responsibility and the question

of whether local or Norwegian–international standards should apply in the respective developing countries.

NORAD’s procedures require that Norwegian standards are followed in all project preparations within the hydro-power sector. Importantly, this applies only to bureaucratic routines, and not to actual decisions on whether projects should be funded. In the industrial sector, NORAD may finance additional costs involved in meeting international environmental standards. Overall, however, no clear guidelines exist regarding environmental standards. As a result, a fair amount of confusion exists within NORAD concerning what are the present operational practices.

Support Through NGOs

NGO projects are not subject to NORAD’s regular project cycle. The NGOs are thus themselves responsible for integrating environmental concerns into project preparation and implementation. NGOs have to give an account of possible environmental implications when they apply for funds, and NORAD may demand further documentation before funds are granted.

However, most NGO projects are funded through framework agreements, and NGOs do not have to assess environmental consequences of each project within these agreements. NORAD still has the opportunity to withhold funding if for some reason it mistrusts NGO judgements in the environmental field. Due to limited administrative capacity, however, the system is based on confidence between NORAD and the respective NGOs. The basic question then becomes whether NGOs have reliable internal procedures and competence to assess potential detrimental environmental impacts of their projects.

Due to lack of documentation procedures and the large number of small projects, it is hard to assess whether NGOs adhere to NORAD’s environmental procedures. Strictly speaking, a large share of the NORAD-funded NGO portfolio does not meet the formal EA requirements adopted by Parliament in the mid-1980s.

Lessons Learned and Future Challenges

Cross-sectoral Integration

The environment should be addressed as a genuine intersectoral issue, which implies integrating environmental concerns into all projects and across all aid sectors. If donor attention is focused mainly on environmental projects as such (with high visibility), the more important, but also more difficult, task of environmentally sound development in sensitive sectors like infrastructure and industry may suffer.

However, this argument must be balanced according to the level of economic development in the country at hand. In the poorest countries the major environmental challenge remains the sustainable management of natural resources.

Aid should thus focus on sound management of agriculture, off-farm resources, forestry, wildlife, water, and the energy sector. In addition, local air and water pollution that seriously affect people's well-being should be addressed. Attention should be directed to local environmental problems, and global issues should be addressed only where there are clear local benefits, as with some biodiversity projects. In more advanced developing countries, there is greater need for pollution abatement measures motivated purely by both local and global environmental concerns.

Domestic Ownership

Domestic ownership of environmental management in recipient countries is a pre-condition of sustainable development. Without domestic ownership, any environmental aid strategy is ultimately bound to fail. Support for NGOs, research institutions, and consultancies should not run counter to the primary task of strengthening governmental institutions at central as well as local levels. In building institutional capacity, particular attention should be paid to environmental legislation and the need for improvements in the general scientific basis for environmental policy.

Donor Co-ordination

Most donors today have the environment high on their agenda, but tend to give priority to their own pet projects or to high-visibility (and often low-impact) projects more or less independent of recipient priorities. Particularly in the most aid-dependent countries, this calls for increased efforts to co-ordinate activities. National Environmental Action Plans, plans for *Agenda 21* follow-up, and National Conservation Strategies represent important umbrellas for donor activities, and should continue to be given high priority and support by Norwegian aid. Ideally, this co-ordination should be undertaken by the recipient country in accordance with its needs and policies. However, donors also need to define an overall strategy addressing trade-offs between the greening of aid and efforts to enhance domestic ownership of projects and policy formulation. For instance, clearer guidance is needed on which environmental standards to apply: donor standards, recipient government, or other. Still another area calling for donor co-ordination is the development of sectoral and regional environmental assessments.

Environmental assessments

Environmental assessment (EA) is the central means for integrating environmental concerns in aid policy. Experience from Norway and other aid agencies indicates that the most critical factor for effective EA procedures is timing. There is a tendency to spend considerable resources on producing comprehensive detailed reports with few implications for project design. One reason is that reports are prepared too

late in the project cycle, when key choices concerning project design have already been made and can no longer be modified or altered. Aid agencies should ensure that all projects are routinely screened and classified at the earliest possible stage in the project cycle—that is, project identification and preparation. A rough screening of environmental impacts under project identification is often far more productive than comprehensive full-scale EIAs at a later stage, even if such EIAs may be crucial in projects with major environmental implications. If conducted early enough in the project cycle, full-scale EIAs can make important contributions to the design of environmentally sensitive projects.

It is critical that EAs contribute to competence building in the recipient countries and that recipients are involved in the assessments. Donors should thus co-operate in providing EA–EIA training courses at national or regional levels. The longer-term aim of this learning-process should be to qualify governments and independent institutions in recipient countries to take full responsibility for the whole EA procedure.

Concluding Remarks

The evaluation of Norwegian aid policy performance in the environmental area has shown that it is a long way from the establishment of policies and principles to effective implementation throughout the aid management system. Even at the policy level, however, there is a substantial job to be done in terms of defining priorities and balancing environmental concerns against other aid policy goals. Most of the assessments made so far, including those carried out under OECD auspices, are rather general and do not provide information on performance 'in the field'. Further analysis is thus needed of environmental aid performance at programme and project level.

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