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concerning the environmental aspects of the Commission's development cooperation, together with the Commission's replies*(pursuant to Article 248(4), second subparagraph, EC)**(2006/C 235/01)*

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ABBREVIATIONS AND TERMINOLOGY

ACP	African, Caribbean and Pacific States signatory to the Cotonou Agreement
ALA	Asia and Latin America developing countries
CEPs	Country Environment Profile
CSP	Country Strategy Papers
DFID	British Department for International Development
DG DEV	Directorate-General for Development
DG ENV	Directorate-General for Environment
DG Relex	Directorate-General for External Relations
DWNP	Department of Wildlife and National Parks
ECOFAC	Ecosystèmes Forestiers d'Afrique Centrale
EIA	Environmental Impact Assessment
Europeaid	Europeaid Cooperation Office
FAO	Food and Agriculture Organisation
GEF	Global Environment Facility
iQSG	Interservice Quality Support Group
KfW	German Kreditanstalt für Wiederaufbau
MDGs	Millennium Development Goals
MEAs	Multilateral Environment Agreements
MEDA	Measures to accompany the economic and social reforms in the Mediterranean non-member countries
NRPP	Natural Resources Policy Programme
OECD	Organisation for Economic Cooperation Development
OECD DAC	Development Assistance Committee of the Organisation for Economic Cooperation and Development
OQSG	Office Quality Support Group (OQSG)
PEP	Poverty and Environment Partnership
PRSP	Poverty Reduction Strategy Papers
SEA	Strategic Environmental Assessment
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
WSSD	World Summit on Sustainable Development
WWF	World Wildlife Fund

SUMMARY

I. Protecting the environment is a vital part of promoting sustainable development. The Treaty requires that environmental protection be integrated into the definition and implementation of all Community policies and activities, including the Community's external aid. More generally, the environment has come to figure as a key item on the international development agenda, and environmental sustainability is one of the Millennium Development Goals (see paragraphs 1 to 3).

II. The European Court of Auditors therefore undertook an audit in 2005 of the Commission's management of the environmental aspects of its development aid. The audit examined whether the Commission had a comprehensive strategy for addressing the environmental aspects of its development cooperation, whether it had made adequate management arrangements to implement the strategy, how far the environment had been integrated (mainstreamed) into the Commission's development programmes and projects, and what were the results of the Commission's environment projects. As well as reviewing Commission systems in its headquarters and delegations, it also audited 65 environment projects (total value: 560 million euro) and 43 non-environment programmes and projects (total value: 1 073 million euro) in 16 countries (see paragraphs 4 to 7).

III. The Commission needs to establish a clear comprehensive strategy for the environmental aspects of its development aid. While since 2001 there has been a strategy on the need to integrate the environment into development cooperation, the approach to financing programmes and projects in the environment and natural resources sector has not been clearly addressed. The new development policy signed in December 2005 provides a good basis for establishing a comprehensive strategy (paragraphs 9 to 12). The Commission's action plan for implementing its mainstreaming strategy has not been systematically followed up and co-ordinated by the three Directorates-General primarily concerned. As a result, planned measures have generally been implemented after some delay or not at all (paragraphs 15 to 17). The Commission has not carried out an adequate review of the staffing implications of its mainstreaming strategy. The Commission has relied on an Environment Helpdesk manned by external experts to provide support to Commission staff, but there was no Helpdesk in place from mid-2002 to mid-2004. The environment integration manual, to be introduced in 2003, was still not completed at the end of 2005, although this manual was important both for defining mainstreaming procedures to be followed by Commission staff and as a key training input. Training courses have not been compulsory for key officials, although this was foreseen, and have often been poorly attended (see paragraphs 18 to 23). There is a need to further strengthen reporting, monitoring and evaluation systems on the environmental aspects of the Commission's development cooperation to enable its performance in this area to be better assessed (see paragraphs 24 to 28).

IV. The Commission has made only limited progress since 2001 in mainstreaming the environment into its development cooperation. The Country Strategy Papers (CSPs) drawn up by the Commission in conjunction with beneficiary countries covering the Commission's aid to beneficiary countries over the period 2001 to 2006 did not take sufficient account of environmental issues. In preparing the new generation of CSPs (2007 to 2013), the Commission has been taking a much more systematic approach to analysing environmental issues in beneficiary countries through the establishment of Country Environment Profiles (CEPs) although it is too early to assess how far this analysis will influence the CSPs themselves (paragraphs 29 to 35). Despite the increasing importance of budgetary support as a form of development aid, the Commission has done little to mainstream the environment into this area (paragraphs 36 to 38). There has been no consistent system for the environmental screening of new projects. The Commission has no inventory of Environmental Impact Assessments (EIA) performed on development projects and evidence was found that they had not always been carried out where they should have been carried out. There is also a need to establish procedures to ensure the implementation of EIA recommendations (see paragraphs 39 to 46).

V. Almost all environment projects examined were relevant to beneficiary country needs, and frequently also addressed global conservation needs, particularly in relation to forest and biodiversity conservation. Project outputs and results achieved have frequently fallen short of objectives. Moreover, the project approach has inherent difficulties in achieving significant impacts and assuring financial viability (paragraphs 47 to 56). Key factors influencing project effectiveness have been overambitious project design, delays in project preparation and implementation, limited progress in building institutional capacity, difficulties in addressing the needs of local communities for development while meeting conservation objectives, projects' insufficient impact on the policy and legal framework, and the unrealistic goals set for financial sustainability after the end of project funding (see paragraphs 57 to 81).

VI. Detailed recommendations on establishing a comprehensive environmental strategy and following up its implementation as well as how to make both environmental mainstreaming and environment projects more effective are given in paragraphs 88 to 101.

INTRODUCTION

Background

1. Since the 1972 United Nations Conference on the Human Environment in Stockholm the issue of the environment and how to ensure that development is sustainable has become a subject of international concern. The 1992 United Nations Conference on Environment and Development in Rio de Janeiro further raised the profile of the environment and sustainable development, and led to three Multilateral Environment Agreements (MEAs): the Convention on Climate Change, the Convention on Biological Diversity, and the Convention to Combat Desertification. Although in the second half of the 1990s the development agenda refocused to a certain extent on poverty reduction issues, environmental sustainability was chosen as one of the eight Millennium Development Goals (MDG) established at the UN Millennium Summit in 2000. The 2002 World Summit on Sustainable Development (WSSD) in Johannesburg sought to address both poverty and environment issues.

2. There are basically two types of intervention through which the donor community has sought to address the environmental aspects of development cooperation:

- (a) the financing of programmes and projects whose principal objective is to improve environmental conditions;
- (b) the integration of environmental concerns into all other types of development programmes and projects. This is commonly referred to as 'mainstreaming' the environment. In recent years the donor community, including the European Commission, has given increasing attention to this approach.

3. The Commission's attention to mainstreaming the environment in the context of development should be seen not only in terms of an increased recognition by donors of the importance of this approach but also in the context of the wider European Union legal and policy framework. Thus Article 6 of the Treaty establishing the European Community, as amended by the 1997 Treaty of Amsterdam, stipulates that: 'Environmental protection requirements must be integrated into the definition and implementation of Community policies and activities..., in particular with a view to promoting sustainable development'. In June 1998 the Cardiff European Council stressed the importance of integrating environmental protection and sustainable development into the major policy areas, including development aid, managed by the Commission and invited it to put forward appropriate strategies. In 2000 the European Community development policy was

adopted which included environment as a cross-cutting issue. The development policy consensus agreed between the European Commission, the Member States and the European Parliament in December 2005 not only maintained the environment as a cross-cutting issue but also made environment and natural resources one of nine priority sectors for funding.

Audit scope and approach

4. In view of the environment's key role as one of the three pillars of sustainable development and its importance as one of the Millennium Development Goals (MDGs), the European Court of Auditors carried out an audit in 2005 of the European Commission's management of the environmental aspects of its development cooperation with Asian and Latin American developing countries, southern Mediterranean countries and the African, Caribbean and Pacific group of States. More specifically, the audit focused on the following key questions ⁽¹⁾:

- (a) does the Commission have a comprehensive overall strategy to deal with the environmental aspects of its development cooperation and has it made adequate management arrangements for implementing its strategy and assessing the environmental performance of its development aid?
- (b) has the Commission effectively mainstreamed the environment into all of its development cooperation?
- (c) have the environment programmes and projects financed by the Commission been effective?

5. Environment is not an easy term to define. For the purpose of this audit, environment was understood in the first place in accordance with the relatively narrow sense defined by the OECD Development Assistance Committee (DAC) for project classification purposes (see *Annex I*). In addition, the audit also took into consideration the natural resource sectors (forestry, water, fisheries) and focused on one of these areas, namely forestry ⁽²⁾. The commitments for programmes and projects

⁽¹⁾ When addressing these key questions, the audit took into account the environmental auditing guidelines of the International Organisation of Supreme Audit Institutions (INTOSAI).

⁽²⁾ The main reason for focusing on forestry is that the Commission has a special budget line for tropical and other forests (see paragraph 10). While a special ACP-EU Water Facility was created in 2004, this is still at an early stage of implementation.

in these areas in 2003 and 2004 are given in the *table* below:

Table

Budgetary commitments to environment and natural resource sector 2003 to 2004

Area	Commitments 2003 to 2004 (EDF and general budget of the EU; million euro)	Commitments as % of total Commission Aid 2003 to 2004
General environment protection	279	1,8 %
Water supply and sanitation	679	4,3 %
Forestry	42	0,3 %
Fisheries	70	0,4 %
Total	1 070	6,8 %

Source: European Commission.

6. Work was carried out at the Commission's headquarters, notably at the Europeaid Cooperation Office (Europeaid), the Directorate-General for Development (DG DEV), the Directorate-General for External Relations (DG Relex) and also the Directorate-General for Environment (DG ENV), in order to identify and assess the systems established to manage the environmental aspects of development cooperation. On-the-spot missions were carried out in Botswana, Brazil, the Central America region, China, Congo, Gabon, Indonesia, Mali, Mauritius, Morocco, the Pacific region and Tanzania. During these missions the Court audited 65 environment projects, representing commitments of 560 million euro over the period 1995 to 2005, to assess their effectiveness. In addition, it examined 43 other development programmes and projects (total commitments: 1 073 million euro), where support to the environment was not the primary objective, in order to assess how well environmental aspects had been integrated into these interventions.

7. Meetings were also held with the World Bank, the United Nations Development Programme (UNDP), the British Department for International Development (DFID), and the Organisation for Economic Cooperation and Development (OECD). This allowed a comparison to be made with the Commission's approach to managing the environmental aspects of its development cooperation. In addition, meetings were held with two leading NGOs in the field of the environment, the WWF (European Policy Office) and the International Institute for Environment and Development.

COMMISSION STRATEGY FOR THE ENVIRONMENTAL ASPECTS OF ITS DEVELOPMENT AID

Introduction

8. The audit sought to establish:

- (a) whether the Commission had a comprehensive overall strategy for the environmental aspects of its development cooperation which took into account both the financing of environment programmes and projects and mainstreaming the environment into other development programmes and projects;

- (b) whether the Commission had established the management systems which ensure the implementation and follow-up of this strategy and assess the environmental performance of its aid.

Need for a clear and comprehensive environment strategy

9. Environmental protection is one of the three pillars of sustainable development ⁽¹⁾. As such it should be an essential component of development objectives ⁽²⁾. The European Community's development policy adopted in November 2000, the overarching objective of which was poverty reduction, sought to address the environment by treating it as one of several 'cross-cutting issues' to be integrated into all development programmes and projects. It did not, however, include the environment as one of the six priority fields on which financing of aid programmes and projects would be concentrated.

Box 1

The Council and Commission joint declaration of 10 November 2000 on the EC development policy

Overarching objective: poverty reduction

Priority fields of cooperation:

- (1) Trade and development
- (2) Regional integration and cooperation
- (3) Support to macro-economic policies and the promotion of equitable access to social services
- (4) Transport
- (5) Food security and sustainable rural development
- (6) Institutional capacity-building

Main cross-cutting issues:

Human rights, **Environment**, Gender Equality, Good Governance

⁽¹⁾ The other two pillars are economic well-being and social development. The most widely used definition of sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs (1987 Brundtland Report on Environment and Development).

⁽²⁾ Article 177 of the EC Treaty states that sustainable development is an objective of development cooperation.

10. The development policy, in following an approach which focused very largely on mainstreaming the environment, did not sufficiently take into consideration the fact that existing regional cooperation frameworks with the ACP States ⁽¹⁾, Asia and Latin America (ALA) ⁽²⁾ and the Mediterranean region (MEDA) ⁽³⁾ provided for the possibility of significant funding of programmes and projects in the environment and the wider natural resources sector. Indeed, budget lines for technical and financial assistance to ALA and MEDA regions set aside 10 % of financial resources for environment and natural resources. At the same time, although not referred to in the development policy, a specific regulation on forest conservation and management stipulated that a sum of 249 million euro would be allocated to this purpose over the period 2000 to 2006 ⁽⁴⁾.

11. The lack of full coherence between the development policy's approach to the environment on the one hand and the approach foreseen in legal frameworks for development cooperation on the other hand highlighted the need for a comprehensive overall strategy on the environmental aspects of development cooperation. The main strategy paper drawn up by the Commission on the environmental aspects of its development cooperation is the Commission Staff Working Paper 'Integrating The Environment Into EC Economic and Development Cooperation — A Comprehensive Strategy', of April 2001. This document stresses the importance of the environment to sustainable development, outlines how it can be mainstreamed into overall EC development policy, and identifies actions to be taken to implement the strategy. However, it does not represent a comprehensive environment strategy of the kind adopted by several other donors which clearly address not only environmental mainstreaming but also the financing of environment programmes and projects. Some of the key issues which such a strategy could be expected to address are set out in *Box 2*.

⁽¹⁾ Article 32 of the Cotonou Partnership Agreement signed on 23 June 2000 (OJ L 317, 15.12.2000).

⁽²⁾ Article 5 of Council Regulation (EEC) No 443/92 of 25 February 1992 on financial and technical assistance to, and economic cooperation with, the developing countries in Asia and Latin America (OJ L 52, 27.2.1992, p. 1).

⁽³⁾ Annex II of Council Regulation (EC) No 1488/96 of 23 July 1996 on financial and technical measures to accompany (MEDA) the reform of economical and social structures in the framework of the Euro-Mediterranean partnership (OJ L 189, 30.7.1996, p. 1).

⁽⁴⁾ Regulation (EC) No 2494/2000 of the European Parliament and of the Council of 7 November 2000 on measures to promote the conservation and sustainable management of tropical forests and other forests in developing countries (OJ L 288, 15.11.2000, p. 6).

Box 2

Examples of strategic issues relating to the financing of environment programmes and projects

What are the Commission's objectives and priority areas for funding environment programmes and projects, taking into account its strengths and weaknesses and the role of other donors?

Where the Commission does provide financing for a specific programme or project, in what cases should it manage the project itself, and in what circumstances might other donors better manage the project?

What are the comparative advantages of the different instruments available to the Commission for financing interventions in the environment sector ('big' projects, 'small' projects, sector policy support programmes, trust funds etc)?

What should be the link between projects funded through bilateral aid and through the Environment and Tropical Forest budget line?

What are the financial implications of the Commission's commitments under the MEAs, for example in relation to institution building in beneficiary countries?

How far and in what ways will the Commission address the issue of financing of global public goods?

What are the Commission's objectives and funding priorities at regional level?

12. In December 2005 a new EC Development Policy (The European Consensus on Development) was signed. The new policy seeks to address the environmental aspects of the Commission's development aid not only through environmental mainstreaming but also by making the environment and natural resources one of nine priority sectors for funding. In proposing this new approach the Commission recognised that the previous policy had relied too heavily on mainstreaming to ensure the environmental aspects of the Commission's development cooperation were addressed ⁽⁵⁾.

13. However, while the new policy makes clear the Commission's intention to increase the priority it attaches to funding environmental programmes and projects, there remains the need to make the policy operational by establishing a clear strategy. In particular, in addition to the issues raised in *Box 2*, the strategy should address the question of how the Commission will seek to ensure that this policy priority is actually translated into environment programmes and projects in the Country Strategy Papers. This is an important consideration since this sector is only one of

⁽⁵⁾ The Commission Staff Working Paper 'Proposal for a Joint Declaration by the Council, the European Parliament and the Commission on the EU Development Policy' of 13 July 2005 envisaged 'greater attention to the environmental dimension of sustainable development through its "promotion" from cross-cutting theme ... to explicit objective of EU aid mirrored by detailed thematic priorities of EC aid'.

nine priority fields and beneficiary countries are required to concentrate funding received on just one or two focal sectors. Given that in most beneficiary countries environment is not the highest priority, there is a risk that they will allocate relatively little funding to the environment and natural resource sector despite the new emphasis in the Commission's development policy on financing environmental programmes and projects.

Adequate management arrangements for implementing the Commission's environment mainstreaming strategy and assessing the environmental performance of its development aid are still to be made

14. Given the fact that the main strategy document on the environmental aspects of development cooperation focuses on mainstreaming, this section particularly addresses the management arrangements put in place to follow up this strategy. The section also assesses what steps have been taken by the Commission to assess the overall environmental performance of its aid, both in terms of mainstreaming and environment projects financed.

Mechanism for overseeing the implementation of the environmental mainstreaming strategy

15. The implementation of strategies to mainstream the environment into development cooperation is proving a major challenge not just for the Commission but also for other donors. In the Commission the fact that responsibilities for external aid are spread across three Directorates-General (Directorate-General for Development, Directorate-General for External Relations, Europe Aid Office) renders the task even more difficult.

16. With a view to ensuring effective implementation and facilitating coordination, the Commission established an 'Operational Framework for Further Mainstreaming' as an Annex to its Staff Working Paper on environmental mainstreaming. This framework sets out the objectives, type of activities, completion dates and Directorates General involved. However, no interservice steering group was established to ensure the systematic overall follow-up of the framework's implementation. Partly for this reason progress on the different activities identified in the framework has varied greatly, depending on the area concerned, but has nearly always been delayed or not implemented.

17. The Staff Working Paper notes that 'in order to steer the environment integration process it will be necessary to develop a set of performance criteria that can measure its progress'. However, no such performance criteria have been established, nor has there been any overall internal or external reporting on the framework's implementation status.

Building the Commission's capacity to implement the environmental mainstreaming strategy

18. The question of whether the Commission has sufficient staff to implement its environmental mainstreaming strategy has not been subject to an adequate review by the Commission. In its Staff Working Paper on environmental mainstreaming, the Commission merely noted 'a need to increase the number of environmental generalists' and a requirement for 'specialists ... for short periods of time'. The Commission has not taken sufficient steps to address these needs despite the fact that conclusion 4.3. of the Goeteborg European Council stated that: 'The capacity of the Commission services required for effective environmental integration, both in Brussels and in the delegations, should be ensured through the allocation of appropriate human resources as well as training, knowledge-sharing and the proper use of feedback'.

19. The Commission's approach to building up its capacity has focused on training and support to existing staff on mainstreaming the environment. The main tools for doing this were:

- (a) the creation of an environment helpdesk to provide advice on mainstreaming;
- (b) the issuing of a manual on how to mainstream the environment;
- (c) the provision of training courses on mainstreaming the environment.

Because of limited in-house expertise, the Commission has contracted environmental experts to carry out this work. However, it has experienced difficulty in the implementation of each of these areas.

20. While an environment helpdesk was in place from 1999 to 2002, after the expiry of the contract a new helpdesk, consisting of three environmental experts, was not contracted until 2004. In a situation where the Commission relied heavily on outside expertise, this two-year gap has seriously delayed the implementation of the Commission's mainstreaming strategy, since the helpdesk provides not only advice but has also been responsible for the manual and training.

21. The mainstreaming strategy included the establishment of an environment mainstreaming manual by 2003. Although preparation originally began in 1998, at the end of 2005 it was still not completed (see *Box 3* for details).

Box 3

A Manual for mainstreaming the environment

The Commission contracted a consultancy firm in 1998 for 12 months but the manual finally produced in 2001 was considered to be inadequate and was not formally approved. As a result it remained only a draft document. The manual has been little used firstly because of its draft status, secondly because it was extremely lengthy, and thirdly because its existence was not even known by some staff. Significant work on a revised manual only began in mid-2004 with the contracting of a new consultancy firm. Because of the complexity of the task, the higher priority assigned by the Commission to setting up a training programme and frequent changes in the Commission staff managing the contract, the revised manual had still not been completed at the end of 2005.

22. The mainstreaming strategy foresaw that 'every official in key policy areas or with geographical responsibility in headquarters and Delegations' would have completed training by the end of 2004. In fact the training courses only began in November 2004 and have not been compulsory. It was also planned that the training would use the new manual but this has not proved possible (see paragraph 21). Courses at Commission headquarters have been poorly attended. While overall attendance levels have been better for training at the Delegations, the number of Commission staff attending is still limited (see *Box 4*).

Box 4

Environmental mainstreaming training

For courses at Commission headquarters, the average number of participants per training module was eight, compared with the fifteen planned. Several sessions had to be cancelled because of insufficient participants. 37 staff from DG Relex attended a half day training course on environmental mainstreaming at the programming stage, however only 9 staff attended the full 2 day training module on this subject, although 2005 was the key year for DG Relex to prepare the CSPs for 2007 to 2013. For the Delegations, the training budget allocated was only sufficient for courses to be held in 20 Delegations (attended by Delegation staff and staff from organisations in the beneficiary countries). The training took place too late for most Delegations in Asia, Latin America and the Mediterranean to be able to benefit from it when preparing the new CSPs.

23. One initiative which had the potential to build up the Commission's in-house capacity to manage the environmental aspects of development cooperation was the setting-up in 2003 of an 'environmental focal point network'. The network was intended to identify and link up one official from each unit to

work on how to better take into account environment questions in development projects and contribute to disseminating best practice. However, while the network met four times up to May 2004, no meetings have been held since. The network was also largely centred on officials in Europeaid and did not sufficiently incorporate other Commission services, in particular the Delegations. The network has therefore thus far made little contribution to building up in-house capacity.

Systems for assessing the environmental performance of the Commission's development aid

24. The Commission also conducts evaluations, both at the level of regulations and sectors, which are organised by the Europeaid Evaluation Unit, and of individual projects, which are organised by its Delegations. The Commission's operational framework (see paragraph 16) required the independent evaluation of the environmental performance of EC aid over the period 1996 to 2000, as part of a regular evaluation process for environmental performance. This could have been used to establish baseline data and test out performance indicators (see paragraph 17). In addition, it could have identified the lessons to be learned from previous interventions and these could have been used as inputs to developing a comprehensive strategy for the environment (see paragraph 11). However, the evaluation, which was planned to be completed by mid-2002, has still not been carried out⁽¹⁾.

25. At the level of individual environment projects the Commission's headquarters have no system for obtaining and assessing the results of evaluations organised by Commission delegations. Consequently there are no procedures for disseminating lessons learned and best practices from completed evaluation projects. There is similarly no system in place for obtaining and assessing information on the environmental impact of non-environmental projects.

26. The Commission has had a system in place since 2001 to monitor ongoing development projects called the 'results oriented monitoring system'. The system requires all development projects over one million euro to be visited approximately every twelve months by monitors from consultancy companies contracted by the Commission for this purpose. The monitors assess each project and give it a 'score' based on a set of five criteria: relevance, efficiency, effectiveness, impact and sustainability and related sub-criteria including environmental sustainability. However, the quantitative and qualitative findings of these reports are not systematically analysed by Commission headquarters to assess the overall performance of environment projects and the degree to which the environment has been integrated into other development projects.

⁽¹⁾ The Commission did organise a more specific evaluation of the Environment and Tropical Forest budget line, as laid down in the related Regulations in 2004.

27. The Commission uses the OECD DAC financial monitoring and reporting system which is not adequate since it allows projects to be identified where environment-related expenditure has been made but not the amount of that expenditure. The coding system used by the World Bank tackles this issue ⁽¹⁾. In addition, inconsistent use by the Commission of the marker system established for identifying expenditure made in the context of the MEAs has meant that it has not been able to accurately meet its reporting obligations under the MEAs.

AN ASSESSMENT OF THE EFFECTIVENESS OF THE COMMISSION'S ENVIRONMENTAL MAINSTREAMING

Introduction

28. This part of the report assesses how effectively the Commission has mainstreamed the environment into its development cooperation. The assessment was carried out on three different types of Commission intervention:

- (a) Country Strategy Papers;
- (b) budgetary support programmes;
- (c) non-environment projects.

Progress was made in 2005 in developing country environmental analysis for new Country Strategy Papers although its impact cannot yet be assessed

29. The Commission drew up Country Strategy Papers (CSPs) for the first time in 2001 and 2002 for each of the countries and regions to which it gives development assistance in order to set out what form the Commission's assistance should take over the period 2006 to 2007. In principle, CSPs were to take into account each country's development priorities, so as to ensure country ownership, as well as the Commission's own policies. The Commission's strategy concerning the environmental aspects of its development aid, as set out in both its 2000 Development Policy and the Commission Staff Working Paper on the subject, focused on mainstreaming the environment into all areas of development cooperation. Therefore it was essential that the environment was mainstreamed into its Country Strategy Papers (CSPs) if the overall strategy was to be effective.

30. In fact, reviews of this first generation of CSPs (2001 to 2007) by the Court during the audit and also by the Commission's own services showed that the environment had not been satisfactorily mainstreamed into them. The analysis of environmental issues in the CSPs was generally weak and the Commission's response strategies did not adequately address environmental considerations in priority fields to be funded. In a sample of

60 CSPs, none of them mentioned the Millennium Development Goals (MDGs) on environmental sustainability and only approximately a quarter made reference to Multilateral Environment Agreements (MEAs).

31. To some degree the lack of environmental mainstreaming into CSPs reflected the limited priority attached to this issue by many beneficiary countries. For countries with a Poverty Reduction Strategy Paper (PRSP) ⁽²⁾, it has been the Commission's policy to align its CSP to the PRSP. As a World Bank study has shown ⁽³⁾, the environment has generally not been mainstreamed into PRSPs, partly because of a lack of recognition by many beneficiary countries of the important linkages between poverty and the environment. Ministries of Environment should in the first place be the advocate of environmental issues in national policies but in practice these ministries, even in more developed countries with major environmental concerns such as Brazil and China, do not have the resources and influence of other, longer established ministries.

32. Nevertheless the lack of environmental mainstreaming into development aid also reflects shortcomings on the Commission side. Although the Commission Staff Working Paper on Mainstreaming the Environment stated that such Country Environment Profiles (CEPs) were an important tool for mainstreaming at the programming stage, a Commission review in 2002 covering a sample of 60 CSPs found that only six such CEPs had been drawn up. This is despite the fact that such country environmental analysis has been best practice since 1992 when the OECD Development Assistance Committee issued guidelines on the subject ⁽⁴⁾.

33. The Commission took an important step in 2005 to address this issue by establishing CEPs for Asian, Latin American and Mediterranean aid beneficiary countries as part of the process of preparing the next generation of Country Strategy Papers for the period 2007 to 2013. A similar approach is being followed for the ACP States. As the CSPs were still under preparation at the time the audit was completed, it was still too early to assess how far the CEPs had improved mainstreaming in the CSPs. This ultimately depends on how high a priority both the beneficiary countries and Commission services attach to addressing in the CSP the environmental issues raised by the CEPs.

⁽¹⁾ In 2002 the World Bank introduced a new two-dimensional coding system. Each loan is tracked by both theme and sector codes. The 11 theme codes correspond to the goals and objectives of Bank activities and the 12 sector codes indicate the parts of the economy that directly benefit from Bank support. Environment and natural resource management is 1 of 11 themes.

⁽²⁾ Since the end of the 1990s developing countries have established Poverty Reduction Strategy Papers to provide a framework for domestic policies and programmes, as well as for foreign assistance, with the overall aim of reducing poverty.

⁽³⁾ Status and evolution of environmental priorities in the poverty reduction strategies: an assessment of fifty poverty reduction papers. Environment department papers, World Bank, November 2003.

⁽⁴⁾ OECD Development Assistance Committee. Guidelines on Aid and Environment. No. 2: 'Good Practices for Country Environmental Surveys and Strategies'. The equivalent term used by the Commission is Country Environmental Profile (CEP).

34. In this respect the Commission has made only limited progress in building up environmental awareness and mainstreaming capacity in beneficiary countries since the adoption of its own mainstreaming strategy. A specific instrument available to the Commission for promoting the integration of the environment into its development cooperation is Regulation (EC) No 2493/2000, which has a budget of 93 million euro over the period 2000 to 2006 ⁽¹⁾. However, the instrument has had only limited impact. This instrument could significantly help environmental capacity building in developing countries. But the Commission has not established an overall approach to capacity building, and has only developed individual projects on an ad hoc basis.

35. On the Commission side, it is of concern that only limited use was made in 2005 by officials responsible for CSP preparation of the opportunities for training in environmental mainstreaming (see Box 4). While DG Development, DG Environment and Europeaid all have specialised units reviewing the environmental aspects of CSPs, these reviews are not generally based on the detailed knowledge of the country concerned, while the spreading of limited staff resources across these three DGs also means that checks are often superficial.

Little has been done to mainstream the environment into budgetary support programmes

36. It is Commission and wider donor policy for budgetary support to make up an increasing percentage of overall aid. Thus, approximately 25 % of EDF funding allocated to ACP countries under the current CSPs has been allocated to such support. However, the Commission has done little to mainstream the environment into this newer form of aid although the Council stated in its conclusions of 31 May 2001 on the Commission's environmental integration strategy that: 'environmental considerations should be systematically incorporated into the preparation of all ... structural adjustment programmes and sector-wide reform and support programmes' ⁽²⁾.

37. The main environmental appraisal tool to be used in the context of budgetary support programmes is the Strategic Environment Assessment (SEA). This examines the environmental aspects of the beneficiary countries policies, plans and programmes financed by the budgetary support, notably the Poverty Reduction Strategy Papers. The Council conclusions noted that 'to achieve mainstreaming, Strategic Environment Assessment (SEA) should be used systematically particularly during the preparation of structural and sectoral programmes and for new

infrastructures' ⁽³⁾. The importance of SEA is also recognised in the Commission's mainstreaming strategy. The Commission has made very little use of it so far, partly because, in contrast to CEPs and Environmental Impact Assessments (EIAs), it is a relatively new tool which the donor community as a whole is still mastering ⁽⁴⁾. Nevertheless, the Commission could have used its extensive manuals on budgetary and sectoral support to stress the environmental aspects of such aid, but they contain virtually no reference to the environment. Thus, Commission staff has had no guidelines either on when and how to use SEAs and on how to carry out more limited environmental appraisals where SEAs are not considered appropriate.

38. This lack of environmental appraisal procedures is reflected in the preparation of budgetary support programmes:

- (a) In no country was an appraisal made by the Commission of the possible environmental impact of the government policies and programmes supported by budgetary aid.
- (b) Out of 20 ACP countries which had received general budget support under the ninth EDF by 2005) in only one country, Tanzania, were conditions attached designed to support the environment.

Box 5

An example of mainstreaming the environment into budgetary support programmes

In Tanzania under the Poverty Reduction Budget Support Programme 2003-2006 (114 million euro), donors and the Government of Tanzania had made the passing of environmental legislation one of the six poverty reduction strategy objectives. This provided considerable support to the passing of the Environment Management Act in 2005.

- (c) Despite the important links between poverty and environment, poverty reduction indicators did not address environmental issues.
- (d) In the two priority sectors for the Commission's budgetary aid, education and health, the significant opportunities for mainstreaming environmental issues into these two areas, particularly in relation to preventive health care, were not taken advantage of.
- (e) Increasingly, the Commission is seeking to provide its support to roads through sectoral policy support programmes, rather than individual projects, which means there is a particular need for SEAs if negative environmental impacts are to be avoided.

⁽¹⁾ Regulation (EC) No 2493/2000 of the European Parliament and of the Council of 7 November 2000 on measures to promote the full integration of the environmental dimension in the development process of developing countries (OJ L 288, 15.11.2000, p. 1).

⁽²⁾ Council conclusions on a strategy on the integration of environmental concerns into EC economic and development cooperation to promote sustainable development paragraph 3.6 (8971/01).

⁽³⁾ Council conclusions on a strategy on the integration of environmental concerns into EC economic and development cooperation to promote sustainable development paragraph 3.14 (8971/01).

⁽⁴⁾ At the time of the audit the OECD DAC had a working party on the use of SEAs in the context of development cooperation.

Procedures for environmental mainstreaming at project level have not been sufficiently systematic

39. Despite the increasing proportion of aid channelled through budgetary support, the funding of projects is still the main aid delivery mechanism. A first step in the environmental appraisal of projects is to screen them in order to assess potential environmental risks and opportunities. The 2001 draft Environment Integration Manual established the principle of such screening in the form of an 'Environmental Integration Form' to be completed for each project and following guidelines in the manual. Since the Manual has remained only a draft (see paragraph 21), this procedure has not been systematically introduced. As a result many Delegations used other procedures or did not follow any environmental screening procedures at all.

Box 6

Environmental screening in the Commission's delegation in Nicaragua

The Commission's Regional Delegation in Nicaragua deals with six countries and has over 140 staff. The audit found that no guidelines for environmental screening are used by the Delegation and no environmental screening leading to further detailed assessment had been carried out for projects and programmes in the 2002 to 2006 CSP. Moreover, the Delegation did not have an environmental expert although such an expert could have supervised and provided support to environmental screening procedures.

40. In practice, the main procedure used by the Commission for checking environmental screening is in the context of preparing project identification fiches, which are drawn up by Delegations at the beginning of the project cycle and submitted to the Europeaid Office Quality Support Group (OQSG). The environment is, however, only one of a whole series of issues to be addressed by these fiches and the audit of 20 project identification fiches reviewed by the OQSG in 2005 found that environmental issues had not been adequately addressed in them:

- (a) although it was required to classify the project according to its environmental impact ⁽¹⁾, in none of the 20 cases had this been done;
- (b) although it was required to explain how the environment was to be mainstreamed into the project design, in 16 cases this had not been done.

⁽¹⁾ The three categories foreseen are: A — High Environmental Impact, B — Significant possible environmental risks and opportunities, C — Low Environmental Impact.

41. These deficiencies are partly due to the fact that environmental experts are not involved in screening non-environmental projects. In the Delegations, environmental expertise is largely focused on countries where the environment is a priority field, and in any case such expertise is not used to check the environmental aspects of project identification fiches for non-environmental projects. At Europeaid, the number of non-environmental experts is similarly only sufficient to assess the quality of environment and natural resource projects but not whether the environment has been mainstreamed into non-environment projects.

42. Shortcomings in the screening process contributed to problems in identifying when Environmental Impact Assessments (EIAs) should be carried out. EIAs are long-established tools for identifying ex-ante the likely impact of a project on the environment and recommending mitigating measures for the design and implementation phase. The European Union has had EIA legislation for internal policies since 1985 ⁽²⁾. The 1990 Lomé IV Convention required EIAs to be carried out for large-scale projects and those posing a significant threat to the environment ⁽³⁾. In 1992 the OECD DAC issued best practice guidelines on EIAs for development projects to be followed by all its members ⁽⁴⁾.

43. EIAs are particularly relevant for infrastructure and mining projects, since these generally have a high environmental impact. Up to 35 % of ninth EDF financing under the current Country Strategy Papers (CSPs) is allocated for road projects alone. However, the Court's audit identified several such projects where no EIA had been drawn up. A Commission evaluation in 2004 of 'EC interventions in the transport sector in third countries' found that no EIA had been carried out for four of the fifteen projects evaluated. Even where more substantial EIAs had been completed, their focus was generally on the direct impact of the road project itself on the environment rather than the impact on the environment of the new economic activities brought about by the improved access. This weakness is especially important for roads crossing sensitive areas such as tropical forests, where there is a direct link between the improved access and increasing deforestation and illegal hunting.

⁽²⁾ Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment (OJ L 175, 5.7.1985, p. 40), amended by Council Directive 97/11/EC of 3 March 1997 (OJ L 73, 14.3.1997, p. 5).

⁽³⁾ Article 37 of Fourth ACP-EEC Convention signed at Lomé on 15 December 1989 (OJ L 229, 17.8.1991).

⁽⁴⁾ OECD Development Assistance Committee Guidelines on Aid and Environment No. 1 'Good Practices for Environmental Impact Assessment of Development Projects', Paris 1992.

Box 7

Environmental impact assessments for large infrastructure and mining projects

In Tanzania, for the rehabilitation and upgrading of the Mwanza Border-Tinte and Isaka-Nzga Roads (eighth EDF, 85 million euro), what the Financing Proposal termed an EIA amounted to only one page in the feasibility study.

In Botswana, no EIA was carried out on a Sysmin project (eighth EDF, 30 million euro) which provided assistance to extend the life of the Selebi Phikwe copper/nickel mine without immediately addressing the serious risk of the collapse of tailings dam or the unacceptably high level of sulphur dioxide emissions from the smelter.

In Guatemala, no EIA was carried out for a project to resettle refugees (12 million euro) although resettlement projects can be considered a priori to have a potentially significant environmental impact. The resettlements caused significant damage to local ecosystems.

44. Apart from large infrastructure, agricultural and mining projects, where an EIA is a necessity, there are many other kinds of projects where an EIA would be desirable or even essential. However, without clear guidelines or requirements on which projects should be subject to an EIA, there was a considerable risk that EIAs would not be carried out even when they should have been.

Box 8

Environmental impact assessments for other kinds of projects

In the Pacific, at least four of the projects audited would have benefited from an EIA. For example, for the Kiribati Seaweed Development project (seventh and ninth EDFs, 2,8 million euro), wooden posts needed to support seaweed cultivation were cut from the surrounding vegetation, including mangrove trees, which are important to marine ecosystems and coastal protection. In addition, protected turtles eating the seaweed plantations are killed by seaweed farmers. An EIA could have identified such issues prior to the project and recommended how to tackle them.

45. Insofar as EIAs had been carried out and mitigating measures identified, there was no system to ensure that these measures had been laid down in an environment management plan to be implemented during the course of the project. Nor was the inclusion of EIA recommendations, where appropriate, in the technical specifications of works contracts systematically allowed for. Where EIA recommendations were included in the contract, penalties were not always attached to non-compliance with the environmental stipulations in the contract.

Box 9

The follow-up of environmental impact assessments

In the case of the Northern Plains Irrigation project in Mauritius (7th EDF, 9 million euro), although a detailed EIA for the replacement of a pipeline was carried out and the special conditions of the Financing Agreement provided for 'a systematic monitoring of environmental impacts to ensure that mitigating measures proposed by the EIA are implemented', no evidence of this was found.

In Mali, for the project 'Support to the Rice Sector' (eighth EDF, 15,4 million euro), the EIA recommended replanting trees around villages, monitoring the levels of water pollution and performing a study on recycling oil, but this was not included in the contract's technical specifications.

For the Rewa Bridge project in Fiji (seventh and eighth EDFs, 11 million euro), because of the potential impact on kai fisheries, the contract included a requirement for water quality monitoring. This requirement was not met by the contractor but no penalties were stipulated in the contract for non-compliance.

46. The Commission has no central register of EIAs carried out for development projects funded by the Commission. This is a weakness in internal management information. Such a register would also facilitate the public's access to this information.

AN ASSESSMENT OF THE EFFECTIVENESS OF ENVIRONMENT PROJECTS AND FACTORS INFLUENCING EFFECTIVENESS**Introduction**

47. In addition to measures to mainstream the environment into development cooperation, examined in the previous section, the Commission has also sought to address environmental issues by financing programmes and projects in the environment sector. Despite the fact that the sector was not a priority field in the 2000 development policy (see paragraph 9) and commitments in this area as a proportion of total aid funding has been relatively low (see *Table*), the Commission has remained active in this field and may become more so with the adoption of the new development policy where environment and natural resources will be a priority field (see paragraph 12). The audit sought to:

- (a) assess the effectiveness of environment projects funded by the Commission;
- (b) identify key factors influencing effectiveness.

Assessment of project effectiveness

48. The Court examined 65 projects representing commitments of 560 million euro in 16 countries. The projects were financed from the General Budget over the period 1995 to 2005

and from the seventh, eighth and ninth EDFs. Projects examined were of two main types:

- (a) 30 of the projects examined, representing approximately 15 % of the 560 million euro, were financed through specific environmental budget lines, notably the Environment and Forests budget line (see paragraphs 10 and 34). Projects supported from this budget line were relatively small (typically 1,0 to 2,5 million euro) and generally implemented by NGOs following a call for project proposals from the Commission. These funds are allocated not on a country by country basis but according to what the Commission evaluates as the best proposals.
- (b) 34 of the projects examined, representing approximately 80 % of the 560 million euro, were financed from bilateral aid allocations made to countries by the Commission in the framework of the EDF and Asia, Latin America and Mediterranean cooperation budget lines. The size of these projects varied considerably, but on average it was in the order of 10 to 15 million euro.

In addition, one intervention examined was a budgetary support programme rather than a traditional project, a sectoral policy support programme for wastewater treatment in Mauritius (ninth EDF, 29,8 million euro). This reflects the limited use of such programmes in the environment and natural resources sector.

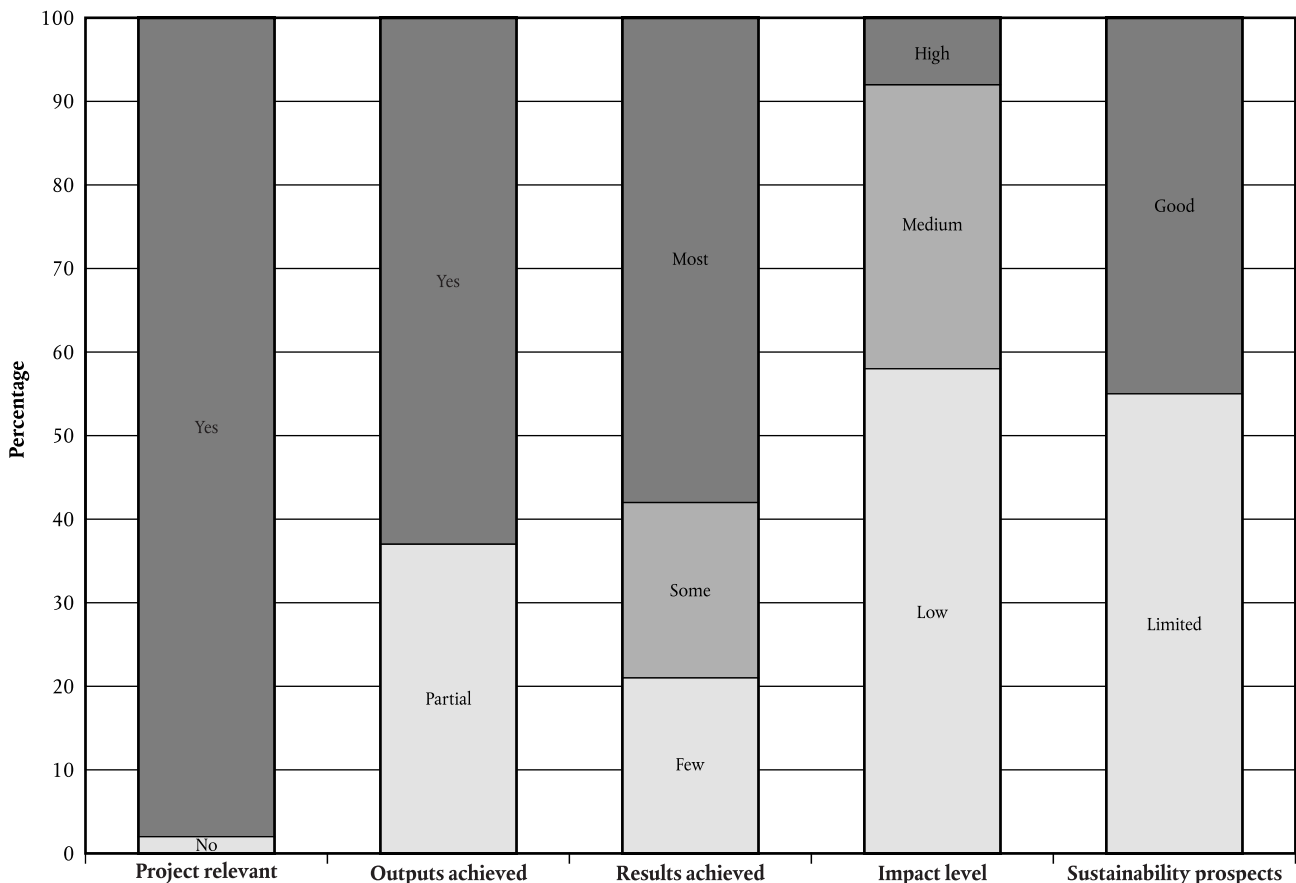
49. Five criteria were used for assessing the effectiveness of the projects:

- (a) *relevance* — whether the project objectives addressed the needs of the beneficiary countries;
- (b) *outputs* — whether the project had delivered the infrastructure, services and equipment specified in the project planning;
- (c) *results* — whether the project had produced the intended positive changes for beneficiaries;
- (d) *impact* — whether the project had had positive effects outside the project itself;
- (e) *sustainability* — whether the results achieved by the project would continue to exist after the end of Commission support.

50. The Court’s overall assessment for each of these five criteria is given in the chart below. A detailed table showing the Court’s assessment of each project according to these five criteria is given in *Annex II* and a narrative overview of project effectiveness by country is provided in *Annex III*. Given that not all projects had been completed at the time of the audit and that definitive judgements on impact and sustainability may not be possible until well after the end of the project, the assessment is only to be considered as indicative.

Chart

Audit assessment of project effectiveness



51. The audit found that in virtually all cases projects were, to varying degrees, *relevant* to the needs of the beneficiary countries and frequently also addressed global conservation needs, particularly in relation to forest and biodiversity conservation. In the absence of comprehensive assessments of the environment it was not possible to establish whether projects funded were the most relevant to beneficiaries' needs. However, the increasingly systematic use from 2005 onwards by the Commission of Country Environment Profiles (see paragraph 33), which are intended to provide a full assessment of environmental issues in each beneficiary country, should enable it to better identify the highest priority projects.

52. According to the Court's assessment in 63 % of projects *outputs* had been or were likely to be fully achieved. In 37 % of cases *outputs* had been partially achieved, or were likely to be partially achieved within the project timeframe.

53. In 58 % of projects most of the *results* had been achieved, in 21 % of projects some results had been achieved and in a further 21 % of cases few results had been achieved. Clearly results will generally not be met if *outputs* have not been produced.

54. In 42 % of projects was the *impact* assessed as being, or likely to be, medium to high, while in 58 % of cases *impact* was assessed as low. While *impact* is always a key issue, it was particularly important issue for many environment projects examined, since they were designed as pilot or demonstration projects with a view to their then being replicated in other regions of the beneficiary country.

55. In 45 % of projects were the prospects for *sustainability* considered to be good, while in 55 % of cases they were considered to be limited. Financial viability is a particularly key aspect of sustainability since, in so far as environment projects focus on conservation rather than development, they may require beneficiary countries to continue to provide financial support for conservation activities after the end of donor assistance while forgoing potential economic benefits.

56. The general trend that emerges from these figures is that, while projects are almost always relevant, they do not always produce all the planned *outputs*. A little more than half fully achieve the results planned and somewhat less than half have a significant *impact* beyond the project and are likely to be sustainable. The example in *Box 10* below illustrates these different aspects of project effectiveness in relation to one of the most important projects funded by the Commission.

Box 10

An illustration of the assessment criteria — the case of the regional programme for the conservation and development of the forestry Ecosystems of Central Africa (ECOFAC)

Since 1992, the Commission has played a leading role in initiating activities for the conservation and sustainable use of the forestry ecosystems of Central Africa, mainly through the Regional Programme for the Conservation and Development of the Forestry Ecosystems of Central Africa (ECOFAC) programme (sixth, seventh, eighth and ninth EDFs; 72,45 million euro).

The programme is highly relevant as it helps to preserve what is the second largest continuous expanse of rainforest after the Amazon for the global benefits of conserving biodiversity and preventing climate change. On a regional and national level the forest is an important source of revenue for Central Africa's countries, both in terms of industrial exploitation of timber and non-timber forestry products and game meat.

In terms of *outputs*, ECOFAC has put in place a wide range of infrastructure (access roads, tracks, bridges, research centres, reception centres, tourist camps, viewpoints, bush airports, equipment for forest-rangers and staff) for the management of protected areas.

In terms of *results*, the programme has raised awareness of the need to conserve the forestry ecosystems of Central Africa, and contributed to the creation, development and safeguarding of important protected areas which are critical for the preservation of the unique biodiversity of the region. It has also enabled a large amount of scientific research to be carried out. On the other hand, the promotion of the natural and cultural heritage of these protected areas by developing tourism has been limited because of several factors (cost of air transport, Ebola virus epidemics, lack of success in accustoming gorillas to the presence of humans in the Lopé reserve in Gabon, lack of involvement of national authorities and lack of interest of private investors).

Outside the protected areas, the programme has had little *impact*. The programme has paid little attention to key issues such as legal and illegal logging, and illegal hunting, outside the protected areas. Its contribution to poverty reduction among forest peoples has been low, partly due to the unsuccessful rural development measures implemented.

The protected areas are not financially sustainable and remain highly dependent on external financing. Because of that, ECOFAC has been repeatedly extended since 1992. The programme was able to set up a Network of Protected Areas of Central Africa (RAPAC) together with the institutions and administration responsible for managing the protected area, such as the COMIFAC (Conférence Ministérielle des Forêts d'Afrique Centrale). This was a good step to ensure more involvement by the national authorities, but the financial resources have not followed.

Analysis of factors affecting effectiveness of environment projects

57. This section of the report identifies key factors which have influenced the effectiveness of projects. Given that the Commission's development aid is based on the principle of partnership with beneficiary countries, some of the problems identified resulted at least in part from weaknesses on the side of beneficiary country. Nevertheless the Commission also has the responsibility to address such issues to the extent possible.

Overambitious design of projects

58. Larger bilateral projects are jointly designed by the Commission and beneficiary governments with the aid of consultants, the Commission then having responsibility for their final appraisal before a financing decision is taken. The typically smaller projects financed from the Environment and Forestry budget line are designed by the NGOs although the Commission is also responsible for their appraisal. Approximately half of all the projects examined suffered from an overambitious design, in particular because they were aiming to achieve too much within the available timeframe. In such cases project design sometimes did not sufficiently take into account the fact that, in order for environment projects to be effective, considerable time has to be devoted to consulting with local communities and securing their active participation.

59. The Environment and Forest budget line has required projects to be implemented in a maximum of 36 months and sometimes only 24 months. This in most cases was not realistic. The fact that the project proposals submitted for funding are competing against other projects creates the risk that project objectives are overly ambitious because projects promising to deliver more may be more likely to attract funding.

60. Since 2002 the Financial Regulation has required that all projects should be fully contracted within three years of the budgetary commitment for the project being established. This imposes a new constraint which may be particularly difficult to achieve when trying to design the large kind of environment projects funded from bilateral aid.

61. Many environment projects are implemented in vast and remote geographical areas. Despite this, several regions are sometimes unnecessarily included in a single project when it would be better to focus on one. In such cases the overly ambitious approach taken may result from local conditions not being sufficiently taken into account. In Indonesia, the geographical scope of two projects audited had to be reduced during implementation because the design was overambitious.

62. The outside consultants and NGOs who generally draw up the detailed project designs do not always have a detailed knowledge of the Commission's implementation procedures, which are, even if implemented without delay, relatively lengthy. The underestimation of the time required to follow these procedures is a further reason why some project objectives were too ambitious.

63. Since 2002 Europeaid has made significant efforts to improve project appraisal procedures through its Office Quality Support Group (OQSG). However, in addition to these review procedures in Commission headquarters there is a need to ensure that sufficient resources are devoted to the field appraisal of projects by Commission staff teams which have sufficient environmental expertise and knowledge of local conditions and Commission procedures.

Box 11

An example of an overly ambitious project design

The natural forest management project in China (16,9 million euro) seeks in a five-year timeframe to introduce a completely new approach to forestry management in China involving 'co-management' between State forest villagers and enterprises. How 'co-management' should work in the Chinese context is still undefined. The project covers 3 provinces in south western China (Sichian, Hunan, Hainan) and will involve interventions in 6 counties, 11 townships and 58 villages across these three provinces. In addition to the core work on co-management, a poverty alleviation component to the project provides for at least 290 small public infrastructure projects in the villages. New institutions such as village-township co-management committees and micro-finance units are to be created in each project county and township. In addition, substantial institution building support will have to be given to the State Forestry Administration at provincial and county level, where capacity is weak, if it is to play its role in the project. The first 18 months of the project were subsequently lost because the technical assistance tender was cancelled.

Delays in project preparation and implementation

64. The Commission has overall responsibility for establishing the procedural framework for project preparation and implementation. The beneficiary country authorities or NGOs then generally implement the projects subject to detailed checks at each stage by the Commission services. Not only are project objectives often unrealistic because they do not take into account the time required to implement projects in compliance with Commission procedures, in addition most projects examined experienced significant unforeseen delays during their preparation and implementation. In most cases the problems encountered were not of a kind specific to the environment sector but likely to be met in projects in other sectors too. Responsibility for these delays lay both on the Commission and beneficiary country authorities (or NGO) side.

65. Projects often experienced long preparation periods from identification to approval. Unlike the implementation phase, there are no restrictions on how long this phase may be. In the case of projects funded from the Environment and Forestry Budget Line, the time taken by the Commission to proceed from the issuing of the call for project proposals to the signature of the grant contract has been excessively long. Thus for the call for proposals issued in January 2001, contracts for approximately 50 % of the projects approved for funding were not signed until the second half of 2002, while the other 50 % of contracts were not signed until the second half of 2003. Such delays have sometimes had the effect of reducing project relevance because the project context had changed since the time when the original project proposal was submitted (see Box 12).

66. Delays frequently occurred between the approval of the projects and their becoming operational. The two most common causes have been delays in the initial transfer of funds and in the

procurement of project technical assistance. During implementation, environment projects, other than the small projects funded from the environment and forest budget line, tend to necessitate a large number of different (infrastructure, services, equipment) procurement contracts, grant contracts as well as the preparation and approval of work programmes to achieve their outputs and results. This means that they are more likely to experience delays than projects in certain other sectors. A particular difficulty has been when equipment which should be available from an early stage in the project, both to achieve project results and to allow sufficient time for beneficiary country staff working with it to be trained by technical assistance, is only supplied at the end of the project. For example, the Liaoning Integrated Environment Project in China suffered from the fact that equipment for three different components water resource, air quality and energy were all received almost at the end of the project.

67. For two projects in Brazil, one in Guatemala and one in Morocco, project implementation was delayed because of the need to suspend the projects while financial irregularities were being investigated. In the case of the projects in Brazil, operations were restarted after the irregularities had been cleared up. In Guatemala and Morocco it was decided that the projects should be closed down.

Box 12

Examples of delays reducing a project's relevance

The Responsible Coffee Consumption and Production project in Nicaragua (1,2 million euro) was only approved two years after its submission. This resulted in key activities, such as an organic coffee programme and market opening, being implemented by the beneficiary with other financial resources.

The Promotion of Ecologically Sustainable, Socially Equitable, and Economically Viable Forest Management Through Implementation of Credible Certification Systems project in Indonesia (0,9 million euro) was also approved two years after its submission. This, coupled with the planned project duration of only two years, led to the reduction of the initially foreseen five target regions to three.

The Sustainable Development of the Cuiabá-Santarem Economic Corridor project in Brazil (1,5 million euro) was approved two years after its submission as well. Meantime, the region where the projects were to take place evolved to a worrying situation of conflicts of interests and violence affecting the activities of the project-implementing NGO.

Limited progress in institutional capacity building

68. While institutional capacity building is a vital element in all development cooperation, as already noted (see paragraph 34), Ministries of the Environment and other environmental institutions are often relatively new and therefore especially in need of such assistance. This is all the more the case in countries where

recent decentralisation has led to the transfer of more environmental responsibilities to regional and local level. Projects without effective institution-building support have reduced prospects for becoming sustainable, even if they achieve their immediate technical results.

69. When the Commission has provided institutional building support, it has not always ensured there is enough commitment from a high level in the beneficiary country to ensure that the support is effective. In Botswana, a major 14 million euro project, focusing largely on institution-building in the Department of Wildlife and National Parks (DWNP), was implemented without sufficient participation and commitment from the Ministry of Wildlife, Environment and Tourism, to which the DWNP reported (see Box 13). Although technical assistance is the main vehicle for institution building, it has only been able to build capacity when enough counterparts at an appropriate hierarchical level are made available by the beneficiary institution to work with it. In practice, this is frequently not the case, while the typically high levels of staff turnover lead to whatever training benefits have come from the provision of technical assistance being lost to the organisation.

70. Too often, in the absence of adequate local personnel from the beneficiary authorities, technical assistance has taken on an executive rather than advisory role in order to try to ensure the achievement of project results, but at the expense of developing longer term sustainability. A further diversion from sustainability issues is the time which highly qualified technical assistance personnel are obliged to spend on procurement and administrative matters. In addition, projects have frequently suffered from one or more changes in the composition of the technical assistance during the course of the typical three to four year contract they are engaged under.

Box 13

An example of problems affecting institution-building projects

The eighth EDF Wildlife Conservation and Management Programme in Botswana (14 million euro) illustrates many of the problems faced in institution-building projects. A seventh EDF project had financed support to the wildlife sector but had done little to address institution-building issues. This eighth EDF project was intended to address this shortcoming. The status of DWNP has been uncertain, the possibility existing that it would be transformed into a parastatal organisation. This has made project preparation and implementation more difficult. The TA team leader did not work at a senior level within the DWNP but only at a middle management level. His counterpart was not an official of the DWNP. Instead the DWNP assigned another foreign technical assistant. The first TA team leader had to be replaced after 11 months and was not replaced until 5 months later. Much of the TA team leader's time is devoted to project administration, which does not represent a cost-effective use of his time. A key part of the project was to be a management audit of the DWNP but halfway through the project this had not been carried out, in the absence of support from the DWNP and involvement by the Ministry. Although an Institutional Strengthening TA Advisor was also planned, this post was only filled midway through the project.

The need for greater focus on the sustainable use of natural resources by local communities

71. A key requirement for ensuring that environment projects achieve their full objectives and become sustainable is that local communities participate in their preparation and implementation. The Commission has steadily increased the attention it gives to this aspect, partly as a result of the Development Policy established in 2000 which focused on poverty reduction. This has required more account to be taken of community development alongside conservation issues.

72. Nevertheless, the reconciling of the economic needs of local communities with the need for nature conservation represents a major challenge. Insufficient attention has been given in projects to helping local communities generate income in a sustainable way from natural resources. Thus, for example, illegal hunting ('poaching') by local communities remains a serious threat to the results achieved by conservation projects and their environmental sustainability. This is true even in areas where the Commission has provided support over long periods of time, such as the Serengeti National Park in Tanzania and protected areas in the Central African region funded by ECOFAC. The development of tourism is a means of improving local as well as national income. However, in Botswana, the eighth EDF Wildlife project did little to help develop tourism in the Makgadikgadi National Park even though an earlier, sixth EDF tourism study on Botswana had recommended such an approach. The ECOFAC programme, despite its conservation achievements, has made little headway in addressing tourism issues (see *Box 10*). This emphasises the need for the Commission to continue to seek ways to help establish alternative sources of income for such communities.

Box 14

A project illustrating the importance of assessing the needs of local communities in environment projects

The pilot project 'development of a model for managing fauna in the forests of Central Africa in north east Gabon' (1,9 million euro) was designed to address the problem of commercial poaching in the forests of the Congo basin. The project accordingly included several measures to be enforced by anti-poaching units. However, the project designers failed to recognise that most of the local communities were also involved in hunting. Because of this, the project had not identified ways to assist them. During a visit by the audit team, representatives of one of the local fishing communities admitted that it had five hunting bases inside the forest which were destroyed by the anti-poaching units and explained that it was faced with the dilemma of a real decline in the amount of game and the necessity to meet its short-term needs.

Insufficient impact of projects on policy and legal framework

73. Without a clear and supportive policy and legal framework, the prospects for a project's moving beyond immediate outputs and results to achieve long-term sustainability and have a wider impact are greatly reduced. Insufficient attention has been paid by the Commission, when identifying projects, to whether such a framework exists and, if it does not, whether funding the project can serve to bring changes to the framework.

74. Incomplete legal frameworks, particularly in relation to the land rights of project beneficiaries in local communities have, for example, hindered forestry projects in Indonesia and China. In Botswana and Tanzania, the lack of definitive laws to establish community-based natural resource management and wildlife management areas is also an obstacle to projects achieving their full impact. In several countries the lack of resources or will to enforce anti-poaching laws to protect wildlife has undermined the sustainability of projects after their completion.

75. One way to use projects to bring changes to the policy and legal framework is for the Commission to attach conditions to their funding. However, this approach is not feasible in the case of projects implemented by NGOs funded through the Environment and Forestry budget line since beneficiary country governments are not eligible. In some cases, bilateral projects funded by the Commission sought to require beneficiary governments to take 'accompanying measures' to establish appropriate policies. However, such measures were not always well defined and followed up by the Commission.

76. Moreover, the limited financial amounts involved in even these relatively large bilateral projects make it more difficult to insist on the accompanying measures actually being taken. For example, in Tanzania, the Commission sought to ensure that the government allocated more of the revenue earned from hunting concessions to covering the operating costs of the game reserves. However, the Commission did not address the fundamental issue of the untransparent way hunting concessions were awarded, and this was made more difficult by the fact that the project concerned was only for 2 million euro. In this respect, the inclusion of environmental policy and legal reform packages in large direct budgetary support would be a better way to help establish the necessary frameworks in which project level interventions could be sustainable and have an impact.

77. The dissemination of project results and lessons learned can also play a key part in influencing policy. However, in general, project design does not set out clear approaches for dissemination. Moreover, the overambitious timeframes and subsequent delays have reduced the scope for technical assistance and NGOs to disseminate results before the end of the project. Policy impact is particularly problematic for the Environment and Forest Budget Line. While one of the main objectives of the budget line is to

support pilot projects in order to contribute to the development of new policy approaches, the Commission has largely used NGOs to implement these policies and the Commission has not established any mechanisms for ensuring that governments in beneficiary countries are systematically informed of the results of these projects.

Box 15

An example of project impact and sustainability reduced by problems with policy and legal framework

In Brazil, the Commission, through the Natural Resources Policy Programme (NRPP), finances the definition and implementation of an integrated environmental management model and its decentralisation from central Government to the state and municipal levels in five States of the Amazon (16,7 million euro). The NRPP was the main project funded under the Rain Forest Pilot Programme (PPG7), aimed at reaching the overarching objective of controlling and reversing deforestation in the Amazon.

The environmental management model has been less effective than anticipated for controlling deforestation. Among the reasons behind this, the lack of political commitment at State political level was determinant. The precarious finances of most of the States and municipalities and the vested economic interests of some State and local elites make it possible for local governments to accept logging concessions and agriculture expansion, which generate revenue and employment to the detriment of forest management. Because of these, in some States the model has had little impact on public policy or, at worst, has been applied as a purely restrictive instrument. Furthermore, it has been used to identify areas of further economic expansion rather than for environmental management. The State of Mato Grosso, where the model is best developed, was, however, the state with the worst deforestation rate in 2004.

The programme has not been able to guarantee that environmental issues are effectively mainstreamed in other sectors like agriculture, forestry, education, transport, etc. in the States. This is a crucial aspect as the programme operates in a political and economic context of short-term pro-development policies and priorities that do not coincide with sustainable development. The poor environmental mainstreaming policy means that State environmental agencies have to rely too much on command-and-control procedures. However, this is heavily constrained by the lack of financial resources and trained staff to so there is no effective licensing and control.

Unrealistic approach to financial viability

78. Commission projects in the environment sector, as in other sectors, have included the assumption that they should ultimately be financially sustainable. In revenue-generating projects this is a goal which can be realistically pursued. Indeed, in wastewater treatment projects in Mauritius and Tanzania's second city, Mwanza, good progress was being made towards this objective, water tariffs steadily being increased towards the level where they would cover operational and depreciation costs. On the other hand, in the Pacific region solid waste disposal projects in Fiji and Tuvalu were experiencing difficulties because of the population's unwillingness to pay for the service.

79. In the case of projects funded from the Environment and Forestry Budget Line, one option is for these relatively small, often pilot, projects to receive further funding in the form of larger projects financed from the EDF and geographical budget line. However, this has rarely happened in practice. This is partly a result of the Commission not having had a clear strategy to promote the follow-up of these smaller pilot projects by larger bilateral projects. Indeed, in both the Commission and in beneficiary countries there has been a tendency to consider funding available under the Environment and Forestry budget line as a reason for not allocating bilateral funds to the environment sector.

80. In any case the prospects for financial viability without government support are very limited in most countries, and in many developing countries government budgets are insufficient to finance conservation measures. In order to encourage more financing of environmental protection by beneficiary governments, scope exists for the Commission and other donors to support more research and engage in more dialogue with beneficiary countries on the economic benefits of environmental conservation and the need to avoid the unsustainable depletion of natural resource assets. Nevertheless, for many beneficiary governments, greater economic benefits, at least in the short term, can be derived from exploiting the natural resources available in conservation areas. Several cases of this were found during the audit which threatened to undermine the results the projects had achieved (see Box 16).

81. At the same time, the benefits derived by the European Union from the continued protection of the environment in developing countries should be clearly recognised. In these circumstances, the question should be raised whether the Commission's traditional development project approach of funding a project for only a few years, after which it is required to become financially viable, is appropriate to the environment sector. Had the Commission established a comprehensive strategy for dealing with the environment in the context of development aid (see paragraph 11), greater consideration could have been given to alternative approaches to aid delivery such as:

- (a) longer timeframes for environment projects;
- (b) sectoral policy support programmes in the environment and natural resources sector;
- (c) more use of trust funds;
- (d) closer cooperation with the Global Environment Facility (GEF), the largest single instrument available to donors to address environmental concerns in developing countries. While the Commission is not currently a member of the GEF, and so can directly contribute to it, considerable scope exists for more co-financing with it.

Box 16

Economic activities threatening to undermine effectiveness of projects

In Indonesia the Commission has supported the development of sustainable forest management in the Berau area of Kalimantan. However, Berau Coal Company has a licence for 25 % of the area, which includes 16 of the 18 long-term research plots being funded. Although coal mining activities are officially suspended until at least 2011, the initial end of the current project, exploration activities on the coal layers were taking place even during the Court's mission in June 2005. Illegal logging also continued to undermine the effectiveness of Commission funding to the forestry sector in Indonesia.

In China, despite a general logging ban, in two (Hainan, Hunan) of the three provinces covered by the Natural Forestry project, deforestation continued.

In Tanzania, mining exploration activities were taking place in the Kigosi Game Reserve, one of the reserves being funded from the EDF.

CONCLUSIONS AND RECOMMENDATIONS**Conclusions**

82. The Commission has yet to sufficiently address the environmental aspects of its development cooperation and has still to establish a comprehensive environment strategy for its development cooperation. The new development policy, signed in December 2005, provides a clearer basis for developing such a strategy by recognising the importance not only of mainstreaming the environment into all development programmes and projects but also making the environment a priority field for expenditure. Nevertheless, without a clear strategy to help make the new development policy's approach to the environment operational, its potential benefits are likely to be undermined.

83. Over the period 2001 to 2005, the Commission's strategy was focussed very largely on mainstreaming the environment into development cooperation. However, implementation of this strategy has been slow and not adequately followed up while the implications of the strategy in terms of additional staffing needs have not been properly addressed. Although training for existing staff on environmental mainstreaming did begin in 2005, it has suffered from not being compulsory for key officials. The preparation of a manual on environmental mainstreaming has been seriously delayed and was only nearing completion at the end of 2005. More generally, greater attention could have also been given to monitoring, evaluating and reporting on the environmental performance of the Commission's development cooperation.

84. Partly because of some of these shortcomings, the environment has yet to be effectively mainstreamed into the Commission's development cooperation. Current CSPs (2001 to 2006)

have not adequately addressed environmental issues although the Commission has taken significant steps to improve the environmental analysis available for the next generation of CSPs now being prepared. How far this improved analysis will actually be translated into the new CSPs still depends on the priority given to the environment by both the Commission and beneficiary countries. While mainstreaming the environment into direct budgetary aid is a significant challenge for all donors, the Commission has done little to address this important issue. At project level, environmental mainstreaming has suffered from a lack of systematic procedures in the absence of a manual which clearly defines key procedures and makes compliance with them compulsory.

85. While environment projects financed have been relevant the outputs and results achieved have frequently fallen short of objectives although in some cases this was due to overambitious project design. Apart from design and implementation problems the project approach, at least in isolation from other aid instruments, has inherent difficulties in achieving significant impacts and assuring financial viability. This points to the need to assess the possibility of using other instruments to better address these issues in the context of an overall environment strategy.

86. There is a need for the Commission to clarify how high the environment ranks as a priority amongst the many different priorities it has to address in the field of development cooperation. If the environment is to be seen as one of the three pillars of sustainable development this indeed requires that the Commission seeks to ensure that this policy priority is actually translated into environment programmes and projects in the Country Strategy Papers, that it has sufficient in-house environmental expertise and that clear environmental integration procedures are both defined and complied with.

Recommendations**Establishing a comprehensive strategy for the environment and following up its implementation**

87. The Commission should establish a comprehensive strategy for the environmental aspects of its development cooperation, based on the new approach to environmental issues adopted in the 2005 Development Policy.

88. The Commission should establish a new operational framework for implementing its environment strategy and ensure clear performance indicators and coordination mechanisms for its implementation.

89. The Commission should review the adequacy of its in-house capacity to implement its environment strategy.

90. The environment integration manual should be completed and approved as quickly as possible and the appropriate mechanisms put in place to ensure the procedures laid down in the manual are systematically implemented.

91. Training, taking into account the new manual, should be made compulsory for all key staff and sufficient funding should be allocated for this purpose.

92. The Commission should establish a comprehensive system for reviewing its environmental performance by carrying out an overall evaluation, improving the systems for evaluating individual projects and better exploiting data from its external monitoring system.

93. The Commission should review its internal financial reporting system to ensure the recording of environment-related expenditure within the framework of projects which do not have the environment as their primary objective.

Improving the effectiveness of environmental mainstreaming

94. The Commission should ensure that the analysis and recommendations of the recent CEPs are systematically and transparently followed up when preparing the new CSPs.

95. The Commission should make a particular effort to better mainstream the environment into its direct budgetary support, in particular by ensuring that SEAs are carried out and by seeking opportunities to include environmental indicators.

96. Specific procedures for ensuring the environmental screening of all projects should be established and these should be checked by environment focal points in Delegations and by the specialist environment staff in Europeaid.

97. Specific checks should be introduced to ensure that EIAs are undertaken wherever appropriate and that their recommendations are followed up in environment management plans and contract conditions.

Improving the effectiveness of environment projects

98. The Commission should give a higher priority to the on-the-spot appraisal of environment project proposals.

99. The Commission should take further steps to identify and remove bottlenecks in procurement procedures.

100. The Commission should give greater attention to helping local communities find sustainable ways of using natural resources.

101. With a view to improving impact and sustainability, including building institutional capacity, the Commission should analyse the effectiveness of different aid instruments in the environment sector. As alternatives to the current approach of using relatively short term projects, consideration should be given to making greater use of the sectoral policy support programmes, trust funds, and co-financing with the Global Environment Facility as well as funding traditional projects over longer time periods.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 15 June 2006.

For the Court of Auditors
Hubert WEBER
President

ANNEX I

OECD DEVELOPMENT ASSISTANCE COMMITTEE — PROJECT CLASSIFICATION

DAC5 Code ⁽¹⁾	CRS Code ⁽²⁾	Description	Clarifications/Additional notes on coverage
410		General environmental protection	Non-sector specific.
	41 010	Environmental Policy and administrative management	Environment policy, laws, regulations and economic instruments; administrative institutions and practices, environmental and land use planning and decision-making procedures; seminars, meetings; miscellaneous conservation and protection measures not specified below.
	41 020	Biosphere protection	Air pollution control, ozone layer preservation; marine pollution control.
	41 030	Bio-diversity	Including natural reserves and actions in the surrounding areas; other measures to protect endangered or vulnerable species and their habitats (e.g. wetlands preservation).
	41 040	Site preservation	Applies to unique cultural landscape including sites/objects of historical, archaeological, aesthetic, scientific or educational value.
	41 050	Flood prevention/control	Floods from rivers or the sea; including sea water intrusion control and sea level rise related activities.
	41 081	Environmental education/training	
	41 082	Environmental research	Including establishment of databases, inventories/accounts of physical and natural resources; environmental profiles and impact studies if not sector specific.

⁽¹⁾ OECD Development Assistance Committee Code.

⁽²⁾ Creditor Reporting System Code.

ANNEX II

ENVIRONMENT PROJECTS EXAMINED AND AN ASSESSMENT OF THEIR EFFECTIVENESS

Country/Region	Project description	Source of financing	Amount (in euro)	Project starting date	Project completion date	Relevance	Output	Results achieved	Impact	Prospects for sustainability
Botswana	7th EDF Wildlife	EDF	6 400 000	20.12.1993	30.6.2004	yes	yes/partial/ n.a.	most/some/ few/n.a.	high/medium/ low/n.a.	good/limited
Botswana	8th EDF Wildlife	EDF	14 000 000	6.11.2001	31.12.2007	yes	partial	few	low	limited
Botswana	Okavango Research Centre	Env & Forests Budget Line	1 500 000	29.12.1999	28.2.2005	yes	partial	few	low	limited
Botswana	7th EDF forestry	EDF	3 000 000	18.12.1992	30.6.2004	yes	partial	few	low	limited
Botswana	8th EDF forestry	EDF	2 000 000	25.1.2000	6.3.2002	yes	partial	few	low	limited
Brazil	Ecological Corridors	Env & Forests Budget Line	7 000 000	1.5.2002	1.5.2007	yes	partial	n.a.	n.a.	good
Brazil	Natural Resources Policy Subprogram — NRPP	Env & Forests Budget Line	16 700 000	1.7.1995	30.6.2006	yes	yes	most	low	good
Brazil	Extractive Reserves — RESEX, Phase II	Env & Forests Budget Line	7 000 000	22.11.2000	31.7.2007	yes	partial	some	low	good
Brazil	Sustainable Development of the Cuiabá-Santarem economic corridor in central Amazonian: reconciling economic growth and large scale forest conservation	Env & Forests Budget Line	1 497 295	17.9.2003	17.9.2006	yes	partial	some	low	good
Brazil	Demonstration Projects — PD/A	Env & Forests Budget Line	4 000 000	20.9.1994	31.12.2003	yes	yes	most	low	limited
Brazil	Directed research Program, Phase II	Env & Forests Budget Line	5 000 000	29.7.1998	28.2.2003	yes	yes	most	low	limited
Central Africa Region	ECOFAC	EDF	72 450 000	1992	1.9.2004	yes	yes	most	low	limited
Central Africa Region	Programme régional de gestion de l'information environnementale (PRGIE)	Env & Forests Budget Line	3 334 697	1.3.1998	7.4.2003	yes	partial	few	low	limited
China	Environmental Management Cooperation Programme	ALA Budget Line	13 000 000	11.6.1998	30.9.2005	yes	yes	most	medium	good

Country/Region	Project description	Source of financing	Amount (in euro)	Project starting date	Project completion date	Relevance	Output	Results achieved	Impact	Prospects for sustainability
China	Liaoning Integrated Environmental Programme (LIEP)	ALA Budget Line	37 000 000	11.6.1998	30.6.2005	yes	yes	most	medium	good
China	Natural Forest Management Programme	ALA Budget Line	16 900 000	6.11.2001	31.10.2006	yes	partial	few	low	limited
China	Energy-Environment Programme	ALA Budget Line	20 000 000	3.4.2002	31.3.2007	yes	partial	n.a.	n.a.	limited
Fiji	Environment programme	EDF	8 500 000	31.12.2002	31.12.2005	yes	yes	most	medium	good
Gabon	Valorisation des aires protégées (PSV/AP)	EDF	4 700 000	31.12.2001	31.12.2006	yes	yes	most	medium	limited
Gabon	Chasse villageoise et conservation	Env & Forests Budget Line	1 400 000	25.9.2003	25.9.2005	yes	yes	most	medium	limited
Gabon	Appui régional à l'École Nationale des Eaux et Forêts	Env & Forests Budget Line	4 410 000	1.12.2002	31.12.2006	yes	partial	n.a.	low	limited
Gabon	Conservation par la valorisation des espèces phares	Env & Forests Budget Line	1 696 537	27.2.2003	26.2.2006	yes	partial	few	low	limited
Guatemala	Protection and Regional Management of Coastal Resources in the Gulf of Honduras	Env & Forests Budget Line	1 120 415	1.2.2003	31.1.2006	yes	partial	some	low	limited
Guatemala	Forest livelihood for the poor regional project: certification and market development for sustainable forestry in Central America	Env & Forests Budget Line	2 221 846	15.3.2003	15.3.2006	yes	partial	few	low	limited
Honduras	Proyecto de comanejo sustentable de la Biosfera Tawahka Asangni y parte sur de la Biosfera de Río Plátano	Env & Forests Budget Line	1 623 838	1.1.2005	1.1.2008	yes	n.a.	n.a.	n.a.	good
Honduras	Programa de desarrollo y gestión sostenible de las cuencas de Honduras	ALA Budget Line	34 000 000	1.7.2004	1.7.2010	yes	partial	n.a.	n.a.	good
Honduras	Protección del bosque húmedo tropical Biosfera Tawahka Asangni	Env & Forests Budget Line	861 445	27.4.1999	31.12.2003	yes	yes	most	high	good

Country/Region	Project description	Source of financing	Amount (in euro)	Project starting date	Project completion date	Relevance	Output	Results achieved	Impact	Prospects for sustainability
Indonesia	Improving governance of forest resources and reducing illegal logging and associated trade with full civil society participation in S.E. Asia	Env & Forests Budget Line	2 000 000	1.4.2005	31.3.2008	yes	yes/partial/ n.a.	most/some/ few/n.a.	high/medium/ low/n.a.	good/limited
Indonesia	Promotion of ecologically sustainable, socially equitable and economically viable forest management in Indonesia through implementation of credible certification systems (LEI)	Env & Forests Budget Line	924 648	1.3.2004	28.2.2006	yes	yes	most	medium	good
Indonesia	Leuser Development Programme (LDP)	ALA Budget Line	27 670 327	1.5.1995	1.11.2004	yes	yes	most	medium	good
Indonesia	South Sumatra forest fire management project (SSFFMP)	ALA Budget Line	8 500 000	20.12.2001	20.12.2006	yes	yes	most	medium	good
Indonesia	EC-Indonesia FLEGT support project (FLEGT)	ALA Budget Line	15 000 000	30.3.2005	30.3.2013	yes	n.a.	n.a.	n.a.	good
Indonesia	Berau forest management project (BFMP)	Env & Forests Budget Line	7 926 767	1.4.1996	1.3.2002	yes	yes	most	low	limited
Indonesia	Berau forest bridging project (BFBP)	Env & Forests Budget Line	697 986	1.9.2002	30.6.2004	yes	yes	most	low	limited
Indonesia	Participatory land use planning for sustainable forest resource management in the Tanimbar Islands, Eastern Indonesia (Tanimbar)	Env & Forests Budget Line	991 905	1.11.2002	31.10.2005	yes	yes	most	medium	limited
Indonesia	Participative management of natural resources in Berau and Bulungan (PMINRBB)	ALA Budget Line	17 000 000	27.3.2003	21.12.2010	yes	partial	n.a.	n.a.	limited
Indonesia	Illegal logging response centre (ILRC)	ALA Budget Line	2 000 000	1.4.2001	1.2.2006	yes	yes	some	low	limited
Mali	Lutte contre l'ensablement	EDF	7 359 099	21.1.1994	30.9.2001	yes	yes	most	high	good
Mali	Lutte contre la désertification	EDF	14 000 000	22.5.2001	31.12.2006	yes	yes	some	medium	limited

Country/Region	Project description	Source of financing	Amount (in euro)	Project starting date	Project completion date	Relevance	Output	Results achieved	Impact	Prospects for sustainability
Mali	Gestion intentionnelle des ressources (AGIR)	EDF	2 000 000	1.7.2000	31.12.2005	yes	yes	most	low	limited
Mauritius	Wastewater Sectoral Policy support Programme	EDF	29 800 000	26.1.2004	31.12.2009	yes	yes	some	medium	good
Mauritius	St Martins Wastewater plant	EDF	16 700 000	15.4.1999	1.1.2005	yes	yes	most	medium	good
Mauritius	Rodrigues Anti-Erosion	EDF	4 000 000	15.3.1999	30.6.2004	yes	yes	most	medium	good
Mauritius	Regional Environmental Education Programme	EDF	2 000 000	2.5.2000	31.12.2005	yes	partial	n.a.	n.a.	limited
Mauritius	Support to Regional Environmental Programmes	EDF	11 000 000	8.7.1993	31.12.2003	yes	partial	few	low	limited
Morocco	Protection de la biodiversité des ressources en eau du bassin versant de la Moulouya	LIFE-Third countries	1 69 423	11.11.2002	31.12.2005	yes	yes	most	medium	good
Morocco	Projet de démonstration sur les stratégies de lutte contre la désertification dans les zones arides avec implication directe des communautés agropastorales locales en Afrique du Nord (Maroc et Tunisie)	MEDA-SMAP	3 446 678	2.9.2002	1.4.2007	yes	yes	most	high	good
Morocco	Amélioration de la qualité de l'air urbain — Tétouan	MEDA-SMAP	2 020 745	21.12.2001	30.9.2005	yes	yes	most	medium	good
Morocco	Protection et gestion participative des écosystèmes forestiers du Rif (Gefrif)	Env & Forests Budget Line	1 950 000	1.6.1998	30.9.2001	yes	yes	most	low	limited
Morocco	Création d'une maison de l'environnement pour les villes de Meckhnes et Fez	LIFE-Third countries	320 000	24.11.1999	30.6.2003	no	partial	few	low	limited
Nicaragua	Café: un ejemplo de producción y consumo responsable	Env & Forests Budget Line	1 221 620	1.5.2003	20.4.2006	yes	partial	some	medium	good
Pacific Region	Sustainable Management of sites globally important for biodiversity in the Pacific	Env & Forests Budget Line	1 293 032	6.9.2003	6.9.2007	yes	yes	n.a.	n.a.	limited

Country/Region	Project description	Source of financing	Amount (in euro)	Project starting date	Project completion date	Relevance	Output	Results achieved	Impact	Prospects for sustainability
Pacific Region	Reducing vulnerability of Pacific ACP States	EDF	7 000 000	1.4.2002	31.3.2006	yes	yes/partial/ n.a.	most/some/ few/n.a.	high/medium/ low/n.a.	good/limited
Pacific Region	Pacific Environmental Information Network (PEIN)	EDF	1 120 000	1.6.2000	31.12.2003	yes	yes	most	low	limited
Pacific Region	Coral Gardens Initiative (CGI)	Env & Forests Budget Line	543 040	29.7.2003	29.7.2005	yes	yes	most	low	limited
Tanzania	Building community Roles and Incentives in Ecosystem	Env & Forests Budget Line	2 070 025	28.12.2004	31.3.2010	yes	n.a.	n.a.	n.a.	good
Tanzania	Mahale Ecosystem Management project	Env & Forests Budget Line	1 758 723	28.5.2003	28.5.2008	yes	yes	most	medium	good
Tanzania	Project of Serengeti National Park	EDF	8 605 620	2.2.1994	30.6.2002	yes	yes	most	medium	good
Tanzania	Biological conservation and sustainable management of the Mount Meru natural System, Tanzania	Env & Forests Budget Line	815 360	31.12.1999	30.11.2003	yes	yes	most	high	good
Tanzania	Mwanza Sewerage System Rehabilitation	EDF	5 500 000	5.12.2000	31.12.2004	yes	yes	few	low	good
Tanzania	Special programme to Refugees affected area. 7th EDF	EDF	19 295 768	5.9.1997	31.8.2003	yes	yes	some	low	limited
Tanzania	Support to Tanzania Game Reserves	EDF	1 980 000	20.2.2004	30.6.2009	yes	n.a.	n.a.	n.a.	limited
Tanzania	Selous Black rhinoceros Protection Project	Env & Forests Budget Line	565 188	1.6.2000	31.5.2003	yes	partial	some	low	limited
Tanzania	Water Supply Programme Regional Centres	EDF	33 660 000	6.6.2003	1.12.2007	yes	n.a.	n.a.	n.a.	good
Tuvalu	Development Support Programme (DSP)	EDF	5 865 135	9.2.2000	31.12.2004	yes	yes	some	low	limited
			560 087 162							

ANNEX III

OVERVIEW OF PROJECT EFFECTIVENESS

This annex is intended to provide the reader with background information on individual environment projects audited in each of the countries/regions visited during the Court's audit. It is, not, however, intended to give a conclusion on the overall effectiveness of environment projects in a particular country.

1. In Botswana environment was not a focal sector under the 9th EDF but significant funds were devoted to this area under previous EDFs. Although under the eighth EDF the Commission sought to focus increasingly on institution building in the environment sector, the results so far have been very limited. The eighth Forestry project (2 million euro) was closed after the mid-term review, mainly because of a lack of commitment from the beneficiary authorities to improving management practices and introducing a new forestry policy. At the time of the audit, little had been achieved on a major institution building project (14 million euro, eighth EDF) in the Department of Wildlife and National Parks (DWNP), mainly due also to a lack of commitment on the beneficiary side. While the project addresses poverty and environment linkages by promoting community-based natural resource management, it does not clearly address the contribution to be made by tourism.

2. In Brazil, environment is a priority area of cooperation in the 2001-2006 CSP, in particular in supporting Brazilian efforts in conservation and sustainable development of the Amazon forest. The European Union is the second largest donor to the Rain Forest Pilot Programme (PPG7) ⁽¹⁾. The PPG7 has assisted the Government of Brazil in defining new environmental policies and strengthening related institutions and civil society. It has also contributed to the creation of protected areas, the setting-up, marking out and legalising of 22 million ha of indigenous lands, and the introduction of extractive reserves. New approaches to fire prevention, agro-forestry, ecological-environmental zoning and Integrated Environmental Management Plans have been piloted and about 160 demonstration projects in natural resource development carried out. Nevertheless, despite these valuable contributions, containing deforestation in the Amazon has not been achieved.

3. For the on-going Natural Resources Policy Programme (NRPP) and Extractive Reserves (Resex) project, it is unlikely that all objectives will be met within the foreseen timeframe because of slow implementation. The effectiveness of the environmental management tools developed will depend on the political will to implement them. Structural weaknesses in the States' environmental agencies cast doubt on the sustainability of NRPP activities in some States without additional funding. The Resex project has partly lost its status as a model for 'productive conservation' because of its delays and changes of the context. The sustainability of the extractive reserves is not assured given their dependence on rubber and Brazilian nuts and Resex's failure to convince the Brazilian authorities to introduce financial transfer systems to reward extractivists for the environmental services they provide. For the closed Demonstration Projects and Directed Research programme, further phases — financed by other donors — were necessary to consolidate the results and ensure sustainability. Most of the Demonstration Projects were not sustainable due to the short implementation period (3 years) and their commercial components not being sufficiently developed. The results of the Directed Research programme, despite their relevance, were not generally implemented so that its contribution to the PPG7 has been limited.

4. In China, the 2002-2006 CSP has environment and sustainable development as one of its priority areas of cooperation, partly in view of the increasing contribution of China's current economic growth rates to greenhouse gases and climate change. The results of the four main programmes under implementation or recently completed vary. The Liaoning Integrated Environmental Programme has generally been effective in improving the environment with the exception of the urban planning component. The Environmental Management Co-operation Programme has achieved some overall capacity building in the public sector but little progress was made in increasing environmental awareness and commitment in industry. The more recent Natural Forest Management Programme is likely to fall short of its very ambitious objectives. The Energy-Environment Programme is still at an early stage but has experienced a difficult start. The prospects for sustainability are good as China has a strong commitment to improving environmental protection and has the institutional and financial capacity to replicate successful pilot projects.

⁽¹⁾ This programme was created at the 1990 summit of the 'Group of Seven' (G-7) industrialized countries, in the wake of growing concerns about rapid deforestation in the Amazon basin. The Government of Brazil launched the programme in 1992 at the Earth Summit in Rio de Janeiro.

5. In the Central African Region, environment and sustainable management of natural resources, is a priority area of cooperation in the regional strategy (7th, 8th and 9th EDF), but not in the country strategies of the two countries visited, Congo Brazzaville and Gabon. The regional project for the management of forestry information (PRGIE) was closed early because of poor results. The Key Species project in Gabon has not yet succeeded in accustoming gorillas to the presence of humans and tourist activity has yet to take off. Other projects audited have been more effective. The rehabilitation of the Makokou research station (PSVAP 2) has enabled it to reopen. The Village Hunting project already appears to have reduced poaching. The major regional ECOFAC programme has raised awareness of the need to conserve the Equatorial Forest and contributed to safeguarding important protected areas, as well putting in place operating structures. Nevertheless, lack of financial viability of protected areas means that ECOFAC, which began in 1992, is now in its fourth phase. It has to tackle problems of earlier phases, notably the limited success of rural development measures, the need of exploiting tourism potential, poaching, and the legal and illegal logging outside the protected areas, and the need for more involvement from the national authorities. The sustainability of the Village Hunting project is also not assured as it depends on the financing of the mobile brigades, the involvement of the national authorities and the offer of economic alternatives to the local population involved in commercial hunting.

6. In Central America, reduction of vulnerability and environment improvement is a priority area of cooperation in the 2002-2006 Regional Strategy Paper as the region is very vulnerable to natural disasters. Regarding the three countries visited, sustainable management of natural resources, in particular related to water and land, is a priority area of cooperation in Honduras, whereas it is not a priority in Nicaragua and Guatemala. The two most innovative activities of the Responsible Coffee Consumption and Production project in Nicaragua (shade grown coffee programme and market opening in Spain) have not achieved significant results. In Honduras, the Sustainable Management of the Tawahka Asangni Reserve project had a high impact in the conservation of the reserve and in improving the conditions of the local communities. However, the long-term management of the reserve faces challenges which are beyond the capacity of the implementing NGO and of a three-year project. Many of the activities completed are not sustainable without additional technical and financial assistance ⁽¹⁾. The Regional Management of Coastal Resources project will also require further support to consolidate results and complete unfinished activities.

7. In Indonesia, the 2002-2006 CSP identified natural resources management, in particular related to forests, water and rural environment, as one of its priority areas for cooperation. Despite their relevance, projects' impact and prospects for sustainability are in most cases uncertain or doubtful, as the overall pressure on the environment, and on the forest resources in particular, remains and has even increased in recent years as a result of population increase and both legal and illegal commercial exploitation, and the availability of government funds to continue activities is usually uncertain. The Leuser Ecosystem is threatened by illegal logging and plans for road construction, and constant protection measures will be needed. The sustainability of the Berau Forest is doubtful because of problems concerning local property rights, continued illegal logging and because of the threat to the area by possible coal mining activities, for which a concession has been given out by the authorities. However, other developments may have a positive influence on sustainability, e.g. recent projects try to increase local ownership and involvement of local NGO and other civil society actors.

8. In Mali, the environment was not a focal sector under the eighth and ninth EDF. Nevertheless significant funding has been allocated under the seventh and eighth EDF to the Fight Against Desertification project which has achieved positive results although climatic changes can still jeopardize its sustainability. For the project AGIR, local populations have similarly accepted the concepts of the project and have included environmental activities in the communes' development plans for 2005-2009. However, it is not yet clear whether the project has brought a permanent change in the behaviour of local population and sustainability depends on the willingness of the local authorities to 'own' the changes proposed by the project.

9. In Mauritius, environment has been a focal sector under the eighth and ninth EDF. Assistance has brought good results overall, in particular the building of a major waste water treatment plant under the eighth EDF followed by a sectoral policy support under the ninth EDF. The Indian Ocean regional environment projects examined were generally more problematic. The seventh EDF regional environment project produced limited immediate results from the 11 million euro budget, although some studies were subsequently utilised in the context of the ninth EDF regional programme. For the eighth EDF regional environment education pilot programme, it remains to be seen whether all national education ministries will adopt the pilot curricula that the project is developing.

⁽¹⁾ Another project financed by the Environment and Forests budget line is following up the activities of the Tawahka Asangni Reserve.

10. In Morocco, environment is not a priority area of cooperation in the 2002-2006 CSP although it foresees some environmental protection measures, namely support to the water sector through European Investment Bank interest rate subsidies. The results of environment projects vary and their sustainability is not always ensured. For example, the results of the Gefrif project were in general positive but the participative approach in the subsequent phase did not guarantee ownership and involvement of the local community. The Improvement of Urban Air Quality project in Tetouan has produced a diagnostic study for reducing air emissions in the area and has put in place a number of air quality sampling stations and a laboratory to be run by the Tetouan university. Similarly, the Fight against Desertification project has achieved the full collaboration of the local community and produced encouraging results. However, the results and sustainability of the completed Maison de l'Environnement project were very limited as it did not succeed in establishing long term partnerships to promote the environment in Fes and Mekhnés.

11. In the Pacific Region, the environment has been a focal sector under the eighth and ninth EDF. It was also a focal sector under the eighth EDF in the three countries visited, Fiji, Kiribati and Tuvalu, but not under the ninth EDF. The environment projects examined have delivered a range of infrastructural and technological benefits to countries in the region. However, not all the expected results have been achieved. An environmental awareness campaign concerning a landfill at Naboro, aiming at increasing recycling and the acceptance of new tariffs for waste disposal by the general public, has not yet been organised. In order to achieve the environmental benefits of the ambitious Reducing Vulnerability project, further time is needed to build on the information generated in a practical way. The Tuvalu solid waste system is still run at a minimalist level and those who are not prepared to pay the annual fee for the waste management service continue to dump indiscriminately. Prospects for sustainability in the Pacific are relatively good because the regional organisations are well placed to provide further support. However, sustainability will also depend on greater community involvement and ownership.

12. In Tanzania, significant funding was allocated to the environment sector under the seventh and eighth EDF but it is no longer a focal sector under the ninth EDF. The seventh EDF project for the Serengeti National Park contributed to making the Park financially sustainable. For the main environment project funded under the seventh EDF Special Programme for Refugee Affected Areas, support to the North West Game Reserves, also funded under the ninth EDF, good results have been achieved with a limited budget in terms of improving infrastructure and management. However, very little progress has been made so far with introducing community-based wildlife management areas due to the lack of commitment from the Wildlife Division. The Commission has yet to fully address the sensitive governance issues relating to untransparent hunting licensing which, if properly tackled, would enable sustainability to be achieved. Similar governance issues need to be raised in relation to the support to the Selous Game Reserve to protect the endangered Black Rhino. A sewerage project in Mwanza has not reduced the pollution levels of water flowing into Lake Victoria to the standards required although the situation may improve when related projects are implemented.

THE COMMISSION REPLIES

SUMMARY

III. Following the signature in December 2005 of the European Consensus on Development, which gives increased importance to the environmental aspects of development policy, the Commission will review and update the 2001 Environment Integration Strategy, and make it more comprehensive.

The Commission will launch an interservice steering group on environment in development which will provide guidance and ensure better coordination. With respect to the staffing needs, in setting priorities for the use of limited resources emphasis should be put on building capacities of non specialist staff to handle basic environmental integration procedures (screening) and on making specialist support available on request for this during identification and formulation. The draft environment integration manual is close to being finalised. Component parts are already in use and have been extensively consulted. From November 2004 until the end of 2005 about 350 members of staff have been trained in HQ and Delegations. The Commission understands the need for further strengthening of knowledge and will consider making thematic courses mandatory for key staff.

Monitoring and evaluation systems are already well-developed but the Commission will examine ways to improve the spreading of best practise from project level evaluations.

IV. The Commission has been systematically preparing Country Environment Profiles with the aim of better integrating the environment into the next generation of Country Strategy Papers (2007-2013). However, the impact of these CEPs on the new CSPs depends ultimately on the priority given by the partner countries to environmental issues.

General budget support (GBS) entails a broad policy dialogue on partners' development strategies, and focuses on poverty reduction, macro-economic stability, and improved public financial management according to the legal provisions and commitments (such as article 61.2 of the Cotonou agreement). The Commission will strive to integrate the environment at the level of the policy dialogue whenever relevant. In the case of sector budget support (SBS), sector specific environmental concerns can be taken into account through the sectoral policy dialogue as well as the programme design itself. An SBS focused on environment can

also be envisaged. The Commission is taking the environment aspect into account in the current revision of its manuals on budget and sector policy support.

The environmental screening of projects can be improved further. An inventory of Environment Impact Assessments carried out for development projects has been launched, and will be completed and regularly updated.

V. Given the difficult context of development cooperation, the Commission considers the projects reasonably effective. Account has to be taken of the large number of factors intervening during implementation (including political instability and problems of law enforcement), frequently outside the control of the project, affecting the chances of reaching the intended results and producing the expected impact.

Most environmental interventions have attempted to reconcile conservation objectives and local development needs by supporting sustainable use of natural resources and other income-generating activities (such as eco-tourism), and to strengthen local administrations in charge of environmental protection.

The Commission is striving to improve project appraisal procedures, as well as to accelerate the processes of project selection and management. The recent revision of the procedures for the calls for proposals is part of this effort.

Financial sustainability is a complex challenge common to most development projects, and even more so for projects that target environmental improvements in the first place. The ongoing drive towards new aid delivery modalities different from the classical project approach (sector wide approaches, sector policies support programmes) is justified *inter alia* by a preoccupation for the long term sustainability of operations.

VI. The Commission's replies to the Court's detailed recommendations are given in paragraphs 88.-101.

COMMISSION STRATEGY FOR THE ENVIRONMENTAL ASPECTS OF ITS DEVELOPMENT AID

9.-13. The Commission will review and update the 2001 Environment Integration Strategy, and make it more comprehensive, taking into account recent policy developments such as the new development policy, the sustainable development strategy, and the thematic programme for Environment and Sustainable Management of Natural Resources including Energy (ENRTP).

The new development policy consensus of 2005 offers opportunities for a more comprehensive approach, as it specifically includes environment and natural resources as a possible aid sector and is for the first time a strategy shared with the Member States and Parliament. The ENRTP has a broader scope than its predecessor with a slightly larger financial envelope, and apart from identifying priorities for environmental actions it also contains specific objectives to promote mainstreaming in geographic instruments. The preparation of (Country Environment Profiles) CEPs, should also be a major step forward in promoting that an adequate proportion of funding goes to environment and natural resources sectors, on the basis of a dialogue with partner countries. The new strategy will also emphasise the implementation of Strategic Environmental Assessments (SEAs), in accordance with the Development Policy Statement, including setting up of criteria and reporting.

Until now the coherence between the geographic and thematic instruments has been insufficient. However, the situation will be improved when the new instruments for development cooperation are introduced. These emphasise the subsidiarity and the complementarity of the thematic programmes to the geographic programmes.

As regards the varying degree of funding for the environment sector across countries mentioned by the Court in paragraph 13, the Community development cooperation is governed by the principles of partnership and ownership on behalf of the recipient countries. This means that the priorities of geographical cooperation mechanisms are agreed through a consultation process, in which beneficiary partner countries may devote more efforts on social sectors such as health and education. The Commission will nonetheless continue working towards raising awareness of environmental matters in its bilateral relations with partner countries. Specific regulations to promote environmental integration in developing countries (2493/2000) and to promote the conservation and sustainable management of forests in developing countries (2494/2000) provided for a financial framework of euro 93 million and euro 249 million respectively over the period 2000-2006.

15.-16. The Commission intends to launch an interservice steering group on environment in development in order to ensure a more systematic overall follow-up of the shared operational framework and reporting. This will be in addition to the existing interservice coordination mechanisms which already contribute to the implementation of different aspects of the environment mainstreaming strategy. These include the country teams that follow geographical programming and involve also the relevant regional desks of DG ENV and the interservice Quality Support Group (iQSG) that performs the quality check of Country and Regional Strategy Papers including the adequate implementation

of the environmental mainstreaming strategy. Additionally, interservice coordination exists for supervising the core activities of the environment helpdesk and for programming and implementing the thematic budget lines.

17. Performance criteria have focussed on programming aspects. These include the number and quality of full CEPs and how these have been reflected in the CSPs. The Commission is in the process of developing a comprehensive set of performance criteria.

18. One of the objectives of the reform of external assistance was to strengthen human resources managing external assistance. While progress has been made it is still well below the average of European donors.

The Commission has taken steps to organise its services in such a way as to compensate the problem of scarce resources as well as reviewing staff resources issues in the annual policy strategy.

Focal persons within all main Directorate Generals concerned have been identified. A network of environment correspondents has been put in place within DG RELEX. Country Desks at DG ENV play a significant role to support DG RELEX in enhancing the profile of environmental issues during CSP preparation. Short-term environment expertise is provided through the Environment Help-desk (see paragraphs 19-22).

Following devolution of external aid management responsibilities, a focal point for environmental issues exists in most EC Delegations, although this issue may not be the person's sole area of responsibility.

Thematic expertise in EuropeAid has been re-organised in March 2005 in order to provide good quality support to Delegations in an efficient way.

19.-22. By the time the programming exercise for the new cycle of cooperation (2007-2013) started the helpdesk was again operating, offering training and advice to desk officers. Despite its draft status the environmental manual has been frequently referred to during the phase of programming, including its templates for Terms of Reference for Country Environmental Profiles and various appraisal tools. The Helpdesk handled more than 160 requests for advice in 2005, mostly focusing on programming matters.

In 2005 the delay in finalising the environmental manual is to be explained primarily by the need to address through appropriate (efficient, effective) modalities the integration of the environmental dimension into the new forms of aid delivery, which, as the Court acknowledges, represents a challenge that most donors are still struggling to come to terms with. Parallel work is ongoing within OECD-DAC on environmental assessment tools for policies, programmes and (major) plans.

From November 2004 until the end of 2005 about 350 members of EC staff participated in environmental training courses at headquarters and Delegations.

23. Most of 11 thematic networks coordinated by EuropeAid were discontinued in their previous form when EuropeAid was reorganised in 2005. A common approach to their revival has been drawn up in early 2006, and takes into account the circumstances arising from devolution of aid management responsibilities to Delegations and the reorganisation of EuropeAid. This has led to the pooling of sector expertise, previously located in different geographical directorates, into newly created thematic units, designed to enhance quality of operations. The new approach to thematic networks does emphasize outreach to Delegations. On this basis a number of thematic network activities have been put in place. These include the consultation of environment focal persons in Delegations on the proposed environmental handbook.

24. The Commission gave priority to carrying out a full evaluation of the environment and tropical forests regulations in 2003-2004, as foreseen in the legal basis of the two programmes. The project sample for the field phase of the environment part of the evaluation covered 35 projects in 16 countries.

25.-26. The Commission has launched the creation of a data base that will provide an inventory of all project evaluations, which can be searched and accessed by key words, including 'environment'. This will allow results to be more systematically assessed.

Result-oriented monitoring (ROM) reports are meant to be concise documents focusing on a project's main components and conceived primarily as a tool to support prompt project management decisions.

27. The DAC 'policy markers system' used by the Commission allows environmental reporting according to the DAC Directives. The Commission has in the meantime reported on these 'Rio Policy markers' for the years 2003 and 2004 to the DAC.

As acknowledged by the Court, the DAC reporting system does not allow for extensive reporting to meet the detailed requirements (which are still evolving) under environmental conventions, particularly on the amount of expenditure on actions in support of individual MEA objectives. The Commission is striving to achieve constant improvements in the accuracy of the information provided, by promoting the most efficient use of available reporting tools and information systems.

AN ASSESSMENT OF THE EFFECTIVENESS OF THE COMMISSION'S ENVIRONMENTAL MAINSTREAMING

29.-35. While improvements have been made, progress in mainstreaming environment in country programming has not been as rapid as it should have been. However, out of 60 countries reviewed in 2002, by the end of 2005 only 2 countries had no form of CEP whatsoever. In the Commission's view, 19 had a reasonably acceptable CEP, 24 had a short CEP (less than 10 pages), 4 were included in a Regional CEP, and for 11 countries preparation was under way or envisaged. While these CEPs could not contribute to environmental mainstreaming in the first generation of CSPs (2001-2007), they represent a good starting point to address environment in the next generation of CSPs.

The adoption of CSPs/RSPs is underway and Commission inter-service mechanisms exist to monitor the appropriate integration of the recommendations of the CEPs in the geographical cooperation instruments. The Interservice Quality Support Group (IQSG) which monitors all Country Strategy Papers and Regional Strategy Papers aims at ensuring such coherence and consistency. Nevertheless, progress in this field also depends on the priority given by the partner countries to these issues.

The independent mid-term evaluation of Regulation (EC) No 2493/2000 launched by the Commission also recommends that a clear focus on mainstreaming be given to the programming cycle beyond 2006. This recommendation should be taken on board in the new programme. More room will be given for establishing a more consistent overall approach to capacity building in developing countries.

The possibility for officials of beneficiary countries to follow the training delivered at Delegations by the Environment Helpdesk (see paragraph 22) contributes to building capacity and raising awareness on environmental mainstreaming also in these countries (see paragraph 34).

The process of preparing CEPs, which has been based on a broad consultation, involving a wide range of stakeholders in beneficiary countries, is also expected to make an effective contribution to increasing environmental awareness and mainstreaming capacity.

As regards training at headquarters (see paragraph 35), as many as 70 staff from the programming DGs took part in regular or ad hoc training sessions held in Brussels as of November 2004 and focusing on programming issues. Please also refer to reply to paragraph 22.

As regards procedures for reviewing the environmental aspects of CSPs an active network of environmental correspondents exist in DG RELEX, most of whom work within the geographical directorates and as such, have a combined understanding of both environmental matters and country specificities.

Increased co-ordination between line DGs will help to improve the current level of control of CSPs/RSPs by ensuring synergies and appropriate sharing of responsibilities.

36.-38. General budget support (GBS) entails a broad policy dialogue on partners' development strategies, and focuses on poverty reduction, macro-economic stability, and improved public financial management according to the legal provisions and commitments (such as article 61.2 of the Cotonou agreement). Environmental issues do not in general enter into the eligibility and payment conditions of the GBS programmes but should be addressed within the wider policy dialogue.

In the specific case of Tanzania (*box 5*), the country's own Poverty Reduction Strategy has a strong environmental component. Accordingly, the Performance Assessment Framework for disbursement identifies the implementation of environmental related actions as one of the elements considered by the Commission in assessing the implementation of the country's poverty reduction strategy.

In the case of budget support to environmentally sensitive sectors (Sector Budget Support), sector specific environmental concerns can be taken into account through the sectoral policy dialogue as well as program design itself. SBS focused on environment can also be envisaged.

Strategic Environment Assessments (SEAs) are a valuable tool and the Commission will strive to promote their use at the level of the policy dialogue whenever relevant.

The Commission is taking the environment aspect into account in its ongoing updating of its manuals on budget and sector policy support. In these manuals and the handbook on environment it will harmonise the way to address the relation between environment issues and budget support.

39.-46. The environmental screening of projects can be improved further. The environmental handbook will provide appropriate guidance and more consistent indications for the screening process.

Otherwise, reference to the environment among a (limited) number of other cross-cutting issues in standard project identification and formulation fiches does not in itself hinder a proper consideration of environmental aspects into the project design.

As regards staff allocated to promote environmental integration please refer to the reply to paragraph 18. In setting priorities for the use of limited resources emphasis should be put on building capacities of non specialist staff to handle basic environmental integration procedures (screening) and on making specialist support available on request for this during identification and formulation.

As regards information on EIAs, in November 2005 a first, but not yet exhaustive, inventory of impact assessments was launched, mostly in the transport sector with the support of the EC Environment Help Desk. It will be completed and regularly updated, so that relevant information can be made available on request to EC staff and the wider public.

The Nicaragua delegation, mentioned in *box 6*, is a regional one, dealing with six countries, with staff sited in Nicaragua, Guatemala, Costa Rica and Panama.

AN ASSESSMENT OF THE EFFECTIVENESS OF ENVIRONMENT PROJECTS AND FACTORS INFLUENCING EFFECTIVENESS

50.-56. Given the difficult context of development cooperation, the Commission considers the projects reasonably effective. Account has to be taken of the large numbers of factors intervening during implementation (including political instability and problems of law enforcement), frequently outside the control of the project, affecting the chances of reaching the intended results.

Financial sustainability is a complex challenge common to most development projects, and even more so for projects that target environmental improvements in the first place. Most EC-supported environmental interventions have indeed attempted to reconcile conservation objectives and local development needs, by supporting sustainable use of natural resources by local communities and other income-generating activities (such as eco-tourism) to strengthen local administrations in charge of environmental protection. Still, economic benefits that can be derived from these activities are likely to fall short of what is required to ensure long term financial viability of conservation efforts and this pending a proper valuation of the range of local and global environmental services that conservation areas provide.

Over the last few years, the Commission has taken steps to improve the effectiveness and sustainability of projects, and will continue to monitor carefully the performance of projects financed with a view to make further improvements.

Box 10. The Commission considers that eco-tourism has been developed, although room for further development exists. Much has been done to tackle illegal hunting both in the protected areas of intervention and in the buffer zones. The limited results of some development measures have to do more with the lack of any experience or model in this type of human and physical environment characterised by a very low level of receptivity. The Eco-fac programme has worked with various teams of anthropologist specialised in those environments in order to try to tackle these issues.

58.-59. The Commission is striving to improve project appraisal procedures (see paragraph 63). This should allow detection at the earliest stage of overambitious approaches or of any inconsistency between project objectives and the means, including the project duration. The Delegations' appraisals are paramount here. The quality of the logical framework and the presence of appropriate objectively verifiable indicators (OVI) are also important elements. The involvement of local communities is a prerequisite to the selection of a project and this aspect is thoroughly assessed when evaluating a proposal.

The Commission is also striving to accelerate the processes of project selection and management. The recent revision of the procedures of the calls for proposals is part of this effort. The devolution of implementation responsibilities to the Delegations contribute considerably to the improvement of the situation.

Objectives sought under the environment, and especially forestry projects, cannot be achieved in a short time. The maximum duration of projects financed under the Environment and Forest budget line is now fixed at 60 months.

60. The $d + 3$ rule laid down in Article 166 of the Financial Regulation brings in a time constraint for the management of external aid in that the individual contracts and agreements (with the exception of audit and evaluation) implementing financing agreements must be concluded no later than three years after the date of the budgetary commitment (the $n+1$ time limit is included in the $d + 3$ limit). The consequences of this rule will be felt for the first time this year as the Financial Regulation came into force on 1 January 2003. This rule is sometimes seen as posing a number of problems in the management of external aid. The Commission has proposed an amendment to Art. 166 of the Financial Regulation which would allow a contracting deadline of up to 5 years in the case of some long-term and multi-phase projects.

61. Project scope should be addressed on a case by case basis, having regard to project-specific and context-related factors. In some cases, the multi-regional scope aims at increasing the potential for larger scale impact.

62. The Commission agrees that NGOs and external consultants need a better knowledge of EC procedures.

Regional seminars are organised to this end. Moreover, efforts are pursued towards simplification and harmonisation of EC procedures.

63. The Commission is aware that the actual situation in the field should be given appropriate consideration in the project appraisal. In line with that, the new 'Practical Guide to Contract Procedures for EC External Actions', in force since February 2006, gives more weight than previously to the EC Delegations' views in the appraisal of the project proposals.

Box 11. The Natural Forest Management Project (NFMP) may appear too ambitious in terms of both reaching out to too broad an area and in targeting central levels of government in a policy context; however it should not be seen in isolation. The NFMP is meant to support a wider sector programme under the central government, the Natural Forests Protection Programme (NFPP), aimed at improving forest management systems throughout the country. The NFMP is therefore one of a series of complementary interventions undertaken under the NFPP to improve forest management in China and has the support of the NFPP so that it can be effective in a broader area and in a policy context.

64.-65. While striving to improve efficiency of project preparation procedures, the Commission seeks to ensure that feasibility studies and project design are carried out in line with high quality standards and ownership principles. In this respect, the need to undertake ex-ante environmental impact assessment involving the participation of stakeholders may also affect the duration of the preparation phase.

As regards the procedures for call for proposals under thematic programmes the Commission agrees that delays occurred between the launch of the call and the signature of the second batch of contracts. However, one should consider that the call for proposals of 2001 was one of the first calls launched by the Commission under thematic programmes in external aid. As mentioned above, the Commission has since then been striving to accelerate the processes of project selection and management and this has resulted in significant improvements already in the subsequent call launched in 2003. The call for proposals procedures introduced in 2006, foresees that the time between the opening of a call for proposals and the preparation of a contract should not exceed one year.

66. EC procedures and procurement rules are geared to ensure the highest level of transparency and fairness and allow for supervision and control of the use of public funds. The Commission agrees that there is scope for simplification of procedures in order to increase speed and effectiveness of aid delivery, and has proposed amendments to the Financial Regulation in this respect. A first revision of procedures under the current regulation has already been carried out by EuropeAid and has entered into effect in February this year (see the new practical guide).

Box 12. The Commission considers that despite the delay that occurred between the submission of the proposal and its approval, the project in Brazil has remained relevant as the problems and needs to be addressed and described in the proposal continued to exist when the project started. Delay in project approval is to be avoided as far as possible.

68. The Commission shares the Court's views about the critical importance of building capacities in partner countries. This objective has indeed been constantly pursued under EC cooperation, although it may be difficult to provide a qualitative and quantitative assessment of its results. Capacity building activities have frequently had a local focus (project intervention area) and have targeted local levels of government along with civil society. A capacity building component targeting central administrations has more frequently been included under larger operations financed under the geographical programmes. However, in order for capacity building and institution support work to be fully effective ownership and commitment on the part of recipient institutions are required.

69. When identifying and designing interventions under geographical programmes the EC always seeks to ensure the highest level of political commitment of the beneficiary country. However, also due to the generally limited weight of environmental issues compared to other political priorities in beneficiary countries/regions, such commitment in practice is not always as firm and strong as declared, and does not always translate into an adequate level of counterpart cooperation and support at an operational level.

70. The situation evoked by the Court in this paragraph directly stems from the circumstances just described (paragraph 69) as well as from an insufficient knowledge of EC procedures mentioned in the reply to paragraph 62. The Commission is increasingly putting emphasis on ownership and responsibility of partner administrations when it comes to the management of operations, in line with relevant provisions under the Financial Regulations. The ongoing drive towards new aid delivery means different from the classical project approach (sector wide approaches, sector policies support programmes) is justified *inter alia* by a clear preoccupation for the long term sustainability of operations. The Commission is aware of problems related to staff turn-over and has unfortunately experienced the negative consequences of such changes in projects/programmes, particularly those implemented in most remote areas. However, this problem is generally beyond the political dialogue that the EC may have with the beneficiary countries.

72. The Commission has constantly paid attention in project/programme design to the need to enhance local livelihoods as a crucial condition for the long term sustainability of conservation efforts and in line with overarching poverty reduction goals. However, income generation possibilities in and around conservation areas are generally limited and not sufficient

to meet long term local development and environmental protection needs. See Commission reply to paragraphs 50.-56.

Also, and most critically, progress promoted by means of EC development aid in this area remain vulnerable to the effects of developments driven by national and international policies in other areas, hence the crucial importance to ensure policy coherence for development.

A considerable part of the work done by the ECOFAC program in all the years of intervention has been addressed to tourism and more generally income generation issues (hunting areas in Central Africa, tourism issues in Congo Brazzaville, Gabon, Equatorial Guinea, Sao Tome). All the existing eco-tourism facilities in the area of intervention of ECOFAC have been created by the programme.

73.-74. The project approach provides limited opportunities, to assess jointly with development partners the broader environmental policies and programmes of partner countries, and to look at the implications on the environment of policies outside the environment sector. However, the country environmental profiles that are now carried out as part of Country Strategy Papers preparation are meant to identify these shortcomings, so that they can be taken into account when designing aid operations.

75. Since 2001 central governments have not been eligible as applicants or partners for the call for proposals under the Environment and Forestry budget line and therefore cannot benefit from a grant. However, they are allowed to be involved in the projects, in particular through their participation as associates. Although seldom observed, this involvement should be encouraged where it is necessary to ensure that the results of the projects are sustainable at policy level.

76. As regards the role of direct budget support, please see comments to paragraphs 36.-38.

77. More efforts should be made to better disseminate the results achieved and lessons learnt under the projects of the Environment and Forests programmes. When assessing a proposal, part of the budget should be seen to be dedicated to dissemination and sustainability issues after the completion of the activities. During project execution, a clear plan for the dissemination and for future activities should be prepared in the last year of the project. It is also expected that, following the devolution process, governments in beneficiary countries will be better informed of the results of the projects.

Box 15. The conception of the PPG7 is complex from the very beginning. In 1992, Brazil as a host of the United Nations Conference on Environment and Development was convinced by the major 7 economic powers to agree on the PPG7. At that stage, however, the awareness on the urgency of environmental protection in the Amazon was not wide-spread in the country, nor were appropriate structures and budgets in place in the participating states.

In due course the programme contributed to the creation of the Ministry of Environment and Secretariats of Environment in the States involved. Also many training activities were accomplished, that not always resulted in full benefit, due to the high turnover of personnel.

Another complicating factor is the vast cultural and legislative differences between the different states in the Amazon region. For instance Rondônia was the only State where the Ecological and Economic Zoning was adopted as law. In other state there was no official policy supporting the EEZ.

Experience showed that 'command and control' measures cannot be effectively implemented. The state is practically absent in the area. Besides this, to control the 5 million square kilometres of the Amazon forest, considerably more than the around 4 million square kilometres of the present EU, a huge state presence would be necessary. This deficiency is gradually being tackled by air and satellite monitoring.

Despite efforts of the Ministry of Environment in this direction, it still remains difficult to introduce environmental policies as a horizontal issue that involves other ministries as well, mainly because of the political pressure to create economic growth and employment.

78. On financial sustainability of projects in the environment sector (i.e. protection, conservation, valorisation) please see replies to paragraphs 50.-56. and 72.

79. The Commission is aware of the problem and is addressing it in the preparation of the new thematic programme for 2007-2013, which insists on the subsidiarity and on the complementarity of the thematic programme to the geographic programmes.

80. The Commission fully shares this observation of the Court. Again reference is made to replies given to paragraphs 50-56 and 72. The Commission attaches importance to ensuring policy coherence for development, so as to prevent measures that may provide powerful incentives for short term economic benefits thus undermining co-operation efforts in conservation and their prospects of sustainability.

Furthermore, with respect to illegal logging (*Box 16*), which so often is a key factor undermining the viability of some EC funded project, the Commission has launched the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan (COM/2003/251 final). This Action Plan is an important step in the right direction of addressing environmental issues in a more global and comprehensive way, taking into account the fundamental and often overlooked impacts of trade patterns on environment conservation.

81.

(a) The Commission is striving to improve project appraisal procedures, which should allow among others to ensure consistency between project objectives and project duration.

(b) Please refer to reply to paragraphs 36.-38.

(c) and (d) The Commission is currently re-assessing its support through trust funds and global initiatives, and pays particular concern to the issues of visibility, verification and reporting.

Box 16. All natural forest areas in China are given a logging quota which quantifies the amount of wood that can be cut for (i) household/fuel wood use and (ii) house renovation. In Natural Forest Management Project (NFMP) areas the following applies: in Sichuan Province there is a total logging ban; in Hunan and Hainan Provinces there is not. In Hunan and Hainan forests have been decimated over the decades and have been/are being replaced by bamboo (Hunan) and rubber (Hainan) which are legally exploited for wood/rubber. The bamboo/rubber areas are collectively owned and border on natural forest areas. It has been reported that farmers encroach on the natural forest areas when harvesting their collectively owned forests. To the knowledge of the EC Delegation in China there is no illegal logging of timber which is used commercially in the timber/wood industry. The commercial logging in Hunan and Hainan has no impact on the effectiveness of the NFMP. When it comes to natural forest use by the rural population, it is precisely the task of the NFMP to develop sustainable use models.

In Indonesia, the Commission has supported the Berau Forest Management Project (BFMP) which has introduced sustainable forest management and helped protect the internationally important STREK research plots originally established with the assistance of CIRAD, France.

The threat of coal mining activities remains. However, the planned new project, Participatory Planning of Natural Resources in Berau and Bulugan, will provide the overall framework for integrated land use planning that is required for the district assemblies to make informed choices between competing land uses.

CONCLUSIONS AND RECOMMENDATIONS

82. Following the signature in December 2005 of the European Consensus on Development, which gives increased importance to the environmental aspects of development policy, the Commission will review and update the 2001 Environment Integration Strategy, and make it more comprehensive.

83. With respect to the staffing needs, in setting priorities for the use of limited resources emphasis should be put on building capacities of non specialist staff to handle basic environmental integration procedures (screening) and on making specialist support available on request for this during identification and formulation.

The draft environment integration manual is close to being finalised. Component parts are already in use and have been extensively consulted. From November 2004 until the end of 2005 about 350 members of staff have been trained in HQ and Delegations. The Commission agrees with the need for further strengthening of knowledge and is considering making thematic courses mandatory for key staff.

Monitoring and evaluation systems are already well-developed but the Commission will examine ways to improve the spreading of best practise from project level evaluations.

84. The Commission has been systematically preparing Country Environment Profiles with the aim of better integrating the environment into the next generation of Country Strategy Papers (2007-2013). However, the impact of these CEPs on the new CSPs depends ultimately on the priority given by the partner countries to environmental issues.

General budget support (GBS) entails a broad policy dialogue on partners' development strategies, and focuses on poverty reduction, macro-economic stability, and improved public financial management according to the legal provisions and commitments (such as article 61.2 of the Cotonou agreement). The Commission will strive to integrate the environment at the level of the policy dialogue whenever relevant. In the case of sector budget support (SBS), sector specific environmental concerns can be taken into account through the sectoral policy dialogue as well as the programme design itself. An SBS focused on environment can also be envisaged. The Commission is taking the environment aspect into account in the current revision of its manuals on budget and sector policy support.

85. Given the difficult context of development cooperation, the Commission considers the projects reasonably effective. Account has to be taken of the large numbers of factors intervening during implementation (including political instability and problems of law enforcement), frequently outside the control of the project, affecting the chances of reaching the intended results and producing the expected impact. The Commission is striving to improve project appraisal procedures.

The Commission is increasingly putting emphasis on ownership and responsibility of partner administrations when it comes to the management of operations, also in line with relevant provisions under the Financial Regulations. The ongoing drive towards new aid delivery modalities different from the classical project approach (sector wide approaches, sector policies support programmes) is justified inter alia by a preoccupation for the long term sustainability of operations.

86. The Community development cooperation is governed by the principles of partnership and ownership on behalf of the recipient countries. This means that the priorities of geographical cooperation mechanisms are agreed through a consultation process, in which beneficiary partner countries may devote more efforts on social sectors such as health and education. The Commission will nonetheless continue working towards raising awareness of environmental matters in its bilateral relations with partner countries. The Commission concentrates its efforts on optimising the use of scarce resources. In this respect, thematic expertise in EuropeAid has been re-organised in March 2005 in order to provide good quality support in an efficient way.

87. The Commission will review and update the 2001 Environment Integration Strategy, and make it more comprehensive, taking into account recent policy developments such as the December 2005 European consensus on development, the sustainable development strategy, and the thematic programme for Environment and sustainable management of Natural Resources and Energy (ENRTP).

88. The Commission will launch an interservice steering group on environment in development which will provide guidance and ensure better coordination.

Further synergies will be developed with the setting up by the EC Joint Research Centre of an Observatory for Environment and Sustainable Development to support the programming and the implementation of the EC development policy.

89. In setting priorities for the use of limited resources, emphasis should be put on building the capacity of non specialist staff to handle basic environmental integration procedures (screening) and making specialist support available on request to this end during identification and formulation.

90. The environment integration manual is expected to be approved in 2006 and sent to relevant EC services in Brussels and to Delegations. Compliance will be verified as part of the Quality Support Group checks at the stages of identification and formulation of operations.

91. The Commission agrees with the need for further strengthening of knowledge and will consider making thematic courses mandatory for key staff. This decision has to be taken in parallel to the one to allocate the necessary budget for these courses. The Commission will address this matter in 2006.

92. The Commission will consider carrying out an overall evaluation at this stage and the feasibility of better exploiting data from the monitoring system to improve performance.

The Commission has launched the creation of a data base that will provide an inventory of all project evaluations, which can be searched and accessed by key words, including 'environment'. This will allow results to be more systematically assessed.

93. The Commission is aware that further efforts need to be made to improve its capacity to deliver information on environmental expenditure that is as accurate as possible. However, there is a limit to what can be achieved, particularly as regards the possibility to identify environmental-related expenditure under non-environment projects.

94. The programming guidelines for the next generation of CSPs specifically call for an analysis of the environmental situation, based on the Country Environmental Profile (CEP), and identify possible areas of intervention (either integrated in the focal sectors, or environment/natural resources as a specific sector).

95. Through its update of the relevant manuals expected to be finalised in 2006, the Commission will make a particular effort to better mainstream the environment into its direct budgetary support operation through the dialogue on poverty reduction strategies that accompanies GBS and, when relevant, through the sectoral policy dialogue and design of individual SBS (eligibility and payments conditions).

SEA of government policies shall be promoted whenever appropriate, particularly in relation to sector wide approaches/sector budget support focusing on more environmentally sensitive sectors.

96. Screening procedures will be set out in the environmental manual. Their application will be monitored as part of quality support (QSG) checks at identification and formulation. The Commission will look into the possibility to entrust EC Delegations with a greater role in this area, in a way which is compatible with current and future possible availability of qualified human resources while taking into account the need not to contradict ongoing efforts aimed at simplification of procedures. Emphasis shall be put on building the capacity of non specialist staff to carry out the screening and on making support available on request.

97. Most of these checks will be carried out as part of QSG during the formulation phase, which looks at the quality and consistency of a proposed operation, including the quality and completeness of all preliminary studies and the provisions contained in draft financing agreements.

98. The Commission is aware that the actual situation in the field should be given appropriate consideration in the appraisal. In line with that, the new 'Practical Guide to Contract Procedures for EC External Actions', in force since February 2006, gives more weight than previously to the EC Delegations' views in the appraisal of the project proposals.

99. The Commission agrees that there is scope for simplification of procedures in order to increase speed and effectiveness of aid delivery, while ensuring transparency and fairness. The Commission has proposed amendments to the Financial regulation in this respect. A first revision of procedures under the current regulation has already been carried out by EuropeAid and has entered into effect in February this year (see the new practical guide).

100. The forthcoming Thematic Programme on Environment and Natural Resources including Energy, will encourage local communities to manage resources sustainably and will promote integration of such actions into geographic programmes.

101. The Commission will consider undertaking a study of available options for aid modalities in the environment sector, as part of its revised environmental strategy, by drawing on its own experience and the experience of other donors and having regard to current procedural and legal constraints.

