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**The Office of the Auditor General's investigation
of environmental development assistance**

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To the Storting (Norway's Parliament)

The Office of the Auditor General hereby submits Document no. 3:4 (2002–2003), the Office of the Auditor General's investigation of environmental development assistance.

Office of the Auditor General, 8 November 2002

For the Board of the Auditors General

Bjarne Mørk-Eidem
Auditor General

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The Office of the Auditor General's investigation of environmental development assistance

1 INTRODUCTION

A key objective of Norwegian development cooperation is to contribute to sound management of the earth's environment and biological diversity, cf. Report no. 51 (1991–92) to the Storting. According to the Storting's treatment of Report no. 19 (1995–96) to the Storting, cf. Recommendation no. 229 (1995–96) to the Storting, four themes are set forth on which environmental assistance is to be focused: the development of sustainable production systems, conservation and sustainable use of biological diversity, reduced pollution of the soil, air and water and the preservation of cultural heritage and management of the natural environment's cultural values. In respect of integrating environmental concerns, the Storting's treatment of the report underscores the importance of strengthening work on guidelines for dealing with environmental aspects in development cooperation projects. The report to the Storting also emphasises the principle of recipient responsibility, i.e. that recipients are responsible for planning, implementing and following up programmes and projects. Nevertheless, this is not intended to relieve Norwegian authorities of their obligations to follow up requirements and guidelines for Norwegian development cooperation. The report points out that strict follow-up and oversight requirements have been set for the Norwegian side.

Since the 1980s environmental development assistance has grown sharply in volume and percentage of total development cooperation. In 2000, total Norwegian development cooperation with the environment as a principal or significant policy objective amounted to NOK 1 176 million. These funds are administered by both the Ministry of Foreign Affairs and the Norwegian Agency for Development Cooperation (NORAD).

The purpose of the Office of the Auditor General's investigation was to examine the integration of environmental concerns into development cooperation programmes and projects financed by NORAD and the results, if any, such efforts can point to. A review was done of eleven development cooperation programmes or projects in Tanzania and Sri Lanka in the performance areas economic and social development. To show the volume

and thematic and geographical orientation of environmental development assistance, there was also a review of official development cooperation or ODA¹ for the period 1998–2000.

Environmental development assistance is an umbrella term for two different types of activity. First, it stands for development cooperation programmes or projects whose primary aim is to improve the environment, often referred to as environment-specific development cooperation. Second, the term refers to activities seeking to integrate environmental concerns into development cooperation programmes and projects of all kinds, to prevent the activity causing environmental degradation.

The report of the Office of the Auditor General’s investigation is attached as a printed appendix. Comments from the Ministry of Foreign affairs and NORAD were taken into consideration in the preparation of the final report. In a letter dated 10 September 2002, the Ministry of Foreign Affairs issued a statement on the matters addressed in the report, and the Ministry’s comments are discussed in detail in Chapter 3 below.

¹Official development cooperation (ODA) meets the criteria for development cooperation formulated by OECD/DAC (The OECD’s Development cooperation Committee).

2 SUMMARY OF THE INVESTIGATION

The investigation began with a statistical analysis of register data on all development cooperation agreements with disbursements or revenues during the period 1998–2000 for aid approved as official development cooperation (ODA). The purpose of this analysis was to show the volume and geographical and thematic orientation of environmental assistance. Furthermore, eleven selected programmes or projects in Tanzania and Sri Lanka were reviewed. The review was based on NORAD's decision documents, reports and any evaluations performed as part of the agency's and recipient's administration of the programmes or projects. Documentation of Norwegian environmental development assistance with relevance to the investigation was also reviewed. Administrators and executive officers at the embassies in both countries were interviewed. Two programmes or projects in each country were visited. The purpose of these field visits was to assess whether the expressed intentions of plans and decision documents to integrate environmental concerns were satisfactorily addressed in connection with programme or project implementation. All programmes or projects were evaluated with regard to the preparatory phase, implementation phase, and, for concluded programmes or completed projects, the completion phase.

2.1 Orientation of environmental development assistance

The audit revealed that appropriations for environmental development assistance were at a high level in the period from 1998 to 2000. In 2000, nearly NOK 1.2 billion, or approx. 11 % of all development aid, was spent on environmental development assistance. About three-fourths of this was given as bilateral development cooperation via NORAD. Of Norway's priority partner countries, Mozambique, Tanzania, Zambia and Ethiopia received the most (bilateral) development cooperation overall in 2000. Along with Sri Lanka, it is also these countries that receive the most development cooperation classified as having environmental policy objectives in NORAD's project database.

The audit revealed that it was not possible to apportion quantitatively the environmental assistance among the four themes enshrined in the Storting's treatment of Report no. 19 (1995–96) to the Storting, cf. Recommendation no. 229 (1995–96) to the Storting, on the basis of NORAD's statistical database alone. Nor was it possible to obtain an overview of the magnitude of developmental assistance funding overall spent on avoiding environmental degradation in developmental assistance generally. In recent years NORAD reported on the four areas in the form of an overarching descriptive account.

The investigation raises questions as to whether the reporting back to the Storting on environmental development assistance provides satisfactory information on how the funds are spent and the results that are attained.

2.2 Integration of environmental concerns into developmental assistance

All development cooperation programmes and projects funded by NORAD are to be assessed for environmental impacts. Even though the degree of involvement and follow-up from the Norwegian side is to be considered in each case and with regard to the individual recipient, the Norwegian responsibility for oversight remains firm. In particular, NORAD's guidelines stress the importance of performing environmental assessments in the programme or project's planning phase. The selected programmes and projects in Tanzania and Sri Lanka are in sectors warranting attention regarding environmental concerns. In Tanzania these are six projects in the area of energy development and highway construction, whereas in Sri Lanka they involve four rural development programmes as well as the construction of a tannery complex for which Norway is funding a water purification component.

2.2.1 Preparatory phase

The audit showed that the environment was mentioned in the preparatory phases of all programmes and projects, but that there was a vast difference between the countries regarding the extent to which the environmental assessments on which the discussions were based were highlighted and justified.

For Tanzania, discussions of the environment were followed up with justifications for the decisions made regarding the integration of environmental concerns. Environmental impact assessments were performed for three of the six projects reviewed: a transmission line, a major rehabilitation of a highway and a hydropower plant. The audit revealed that the environmental impacts of these projects were captured satisfactorily, with one exception: the environmental assessments prior to the construction of the transmission line did not include the fate of the existing local power source, a diesel generator that represents a real risk of drinking water contamination.

For Sri Lanka, the audit revealed that NORAD's treatment of environmental assessments in the preparatory phase is deficient. This applies to the four activities for which no environmental impact assessment was performed. These are primarily rural development programmes involving considerable development of infrastructure in the form of dwellings, latrines, agriculture

and irrigation systems. Here the initial assessments were limited to setting it as a precondition that environmental assessments be conducted for the programmes' individual components. Specific environmental assessments were not in evidence, and the decision not to initiate further environmental impact assessments was not satisfactorily justified. For the fifth activity, a tannery complex, an environmental impact assessment was performed, and the environmental component was addressed in a satisfactory manner.

2.2.2 Implementation phase

There are considerable deficiencies in the way in which NORAD followed up the integration of environmental concerns vis-à-vis its partner institutions in Tanzania and Sri Lanka and in the manner in which this is documented. No dialogue on environmental concerns between Norway and Sri Lanka was documented in the implementation phase. The exception is the tannery, where the Norwegian contribution is a water purification plant. However, here construction has just begun. The audit revealed that the embassy's follow-up of one of the rural development programmes was especially deficient, viewed in respect of the area's ecological vulnerability and since guidelines were established for integrating environmental concerns for use in each component of the programme. This programme was also reported in NORAD's database with the environment as a significant policy objective. Nevertheless, the audit showed that there was no mention of the environment in the documentation from the implementation phase.

In Tanzania NORAD's documentation showed a modest degree of follow-up of the integration of environmental concerns during the implementation phase.

However, the audit revealed that to a certain extent the responsible institutions in both Tanzania and Sri Lanka followed up the integration of environmental concerns as the projects and programmes progressed and that for some of them there was a dialogue with NORAD on this subject, even if this does not appear in written minutes. However, the lack of documentation makes it impossible to obtain this information without visiting the actual area where the programme or project was implemented. An important exception is the Lower Kihansi hydropower station in Tanzania. For this project, follow-up from the Norwegian side is solidly documented, showing that the integration of environmental concerns was taken seriously by the donors and those carrying out the project.

The audit indicated that the embassy in Tanzania followed up projects more closely than the embassy in Sri Lanka. The latter referred to the principle of recipient responsibility and to the fact that the recipient country is

responsible for seeing to compliance with its own environmental legislation. It is no doubt a complex task to address and prioritise the large number of principles for Norwegian development cooperation adopted by the Storting, among which the integration of environmental concerns and recipient responsibility are just two. Since there are no policy documents that define this, NORAD has been handed the difficult task of ranking all the objectives by priority. However, the audit pointed out that NORAD is not relieved of its responsibility for oversight and documentation, even if the recipient country is responsible for the programme.

2.2.3 Completion phase

Of the eleven selected programmes or projects, four are concluded or completed. For these programmes or projects, the substation and the two smaller road projects in Tanzania and one of the rural development programmes in Sri Lanka, HIRDEP, there is no evidence that environmental concerns were addressed. This happened even though that the integration of environmental concerns was set as a requirement in the preparatory phase. Although the Kihansi hydropower station is not yet formally completed, here the experiences from the implementation phase are described in detail, along with further follow-up measures for addressing environmental concerns. This documentation represents with regard to future projects a significant institutional memory and opportunity for learning for the players involved. The audit questioned whether NORAD as a whole has fulfilled its oversight responsibility in this phase. Besides weakening the institutional memory and opportunities for learning for similar projects in the future, the lack of documentation makes it difficult to see the results that an integration of environmental concerns has led to, i.e. whether environmental degradation has been avoided. The audit also pointed out that NORAD has not followed the instruction of the Ministry of Foreign Affairs to develop a reporting system that highlights the results of integrating environmental concerns into development cooperation, and that there are grounds to ask whether the reporting back to the Storting provides relevant information on the results that have been attained.

2.2.4 NORAD's guidelines for integrating environmental concerns

The audit provided indications that NORAD's own system for environmental assessments is not used in the initial evaluations. The fact that reference to these handbooks has now been removed from the agency's new manual confirms the impression that this system was not appropriate for its administrative procedures. However, there are grounds for questioning the agency's decision not to replace the system that was removed with an updated handbook, as was assumed in previous letters of allocation from the

Ministry of Foreign Affairs and the agency's General Plan of Operations. The audit pointed out that most multilateral and bilateral donors have separate handbooks for the environment for use in evaluating programmes and projects. The need for such a handbook is especially crucial in the preparatory phase before a programme or project is funded and in sectors that may pose a high environmental risk and in which caution is therefore warranted. It is a deficiency of NORAD's new manual that it lacks a binding system to assist executive officers in classifying and evaluating programmes and projects in the initial assessments and in justifying the decisions taken. There is reason to underscore the importance of having explicit requirements for when in the process bringing in environmental expertise should be considered and for which types of programmes or projects such expertise is most relevant.

The changeover to programme development cooperation also represents a challenge when it comes to assessing the environmental risks of a programme made up of many projects. The audit showed that NORAD's new development cooperation manual does not discuss this. Nor does it indicate the types of programmes or sectors for which it is especially important to perform preliminary environmental assessments.

3 THE MINISTRY OF FOREIGN AFFAIRS' COMMENTS

In a letter to the Office of the Auditor General dated 10 September 2002 the Ministry of Foreign Affairs issued a statement on the report.

The Ministry of Foreign Affairs finds the Office of the Auditor General's comments helpful and will use them in its further efforts to improve the administration of developmental assistance. In respect of the question of whether the reporting of environmental development assistance is satisfactorily organised, the Ministry stated that it is in an ongoing dialogue with the agency on how performance reporting can be improved in the four priority theme areas for environmental development assistance that the Storting has adopted. The Ministry also referred to the fact that it is possible to apportion environmental development assistance financially by theme area by conducting a manual review of programmes and projects in NORAD's statistics database, which was done for the period 1994–1997. In respect of the question of the percentage of development cooperation funds spent on avoiding environmental degradation, the Ministry stated that it will perform an evaluation of how it can more systematically document efforts for, and results of, reducing environmental degradation.

The Ministry of Foreign Affairs has made a note of the deficiencies that the Office of the Auditor General has pointed out regarding the integration of environmental concerns into development cooperation, and has reviewed various measures that will be emphasised in future. The Ministry stated that NORAD's development manual is being revised and that in collaboration with the agency the Ministry will see to it that environmental concerns are addressed in a satisfactory manner in the preparatory phase. The Ministry will emphasise ensuring that environmental assessments are included in the mandate for dialogue for all relevant programmes and projects, and that these environmental assessments are documented as part of this procedure. The Ministry also will assess whether it is appropriate to introduce checklists of the type the Office of the Auditor General refers to in its report. Furthermore the Ministry reported that it will in close cooperation with NORAD examine all routines for following up projects and programmes in its review of the development cooperation manual. In this connection the emphasis will be on securing the documentation of expert evaluations in the follow-up. The

Regional Departments' role in overseeing embassies will also be evaluated. The Ministry will also review routines for concluding programmes and projects in order to improve the documentation of efforts in, and results of, environmental assistance.

The Ministry made a note of the Office of the Auditor General's calling attention to the fact that NORAD's is not absolved of its responsibility for monitoring and documentation of environmental concerns, even if, in keeping with the principle of recipient responsibility, the recipient country is responsible for the programme or project.

The Ministry underscored its desire for a close dialogue with the Office of the Auditor General on following up this area further.

4 THE OFFICE OF THE AUDITOR GENERAL'S OBSERVATIONS

The Office of the Auditor General's investigation revealed that the environment was discussed in the preparatory phase of all the programmes and projects reviewed, but the extent varied to which the environmental assessments on which the discussions were based were highlighted and justified. The Office of the Auditor General has noted that the continuing work on the development cooperation manual will ensure that the environment will be evaluated and documented satisfactorily as early as in the preparatory phase, and that the appropriateness of introducing a separate checklist for this phase will be assessed. The audit also showed that there are considerable deficiencies in the way in which NORAD followed up the integration of environmental concerns with the partner institutions in Tanzania and Sri Lanka in the implementation and completion phases, and in how this is documented. This applies also to development cooperation where the documentation from the preparatory phase required that environmental concerns be addressed. The Office of the Auditor General notes that the Ministry of Foreign Affairs will emphasise efforts in documenting environmental assessments in its follow-up of projects and programmes.

The audit showed that a reporting system has not been developed that highlights the results of integrating environmental concerns into development cooperation, and that there are grounds for questioning whether the reporting back to the Storting provides relevant information on the results attained in this area. The Office of the Auditor General finds that the Ministry of Foreign Affairs will evaluate how efforts in, and results of, reducing environmental degradation can be documented more systematically. In this connection the Ministry stated that it will also review the routines for completing projects and concluding programmes to improve the documentation of the efforts in, and results of, environmental assistance.

In the Storting's treatment of Report no. 19 (1995–96) to the Storting, four themes were set forth on which environmental development assistance is to focus. The Office of the Auditor General questions whether the reporting of environmental development assistance in respect of these four themes provides the Storting with satisfactory information on how the funds are distributed and the results attained.

The audit showed that the embassy in Tanzania followed its projects up more closely than the embassy in Sri Lanka. The latter referred to the principle of recipient responsibility and to the fact that it is the recipient country's responsibility to ensure that its own environmental laws are complied with. Here there may be, in part, dissimilar understandings of how the programmes and projects are to be followed up. The Office of the Auditor General questions the manner in which the embassies' follow-up routines are communicated with regard to responsibility for monitoring and documentation of environmental concerns.

5 THE MINISTRY OF FOREIGN AFFAIRS' RESPONSE

The findings of the audit were presented to the Ministry of Foreign Affairs, and the Minister of International Development responded in a letter dated 9 October 2002:

“Reference is made to the Office of the Auditor General’s letter of 10 September 2002.

The Office of the Auditor General’s evaluations and observations are very useful and can, in principle, be used in at least three different areas: in efforts to ensure that current guidelines are followed in a systematic, documentable manner, as a basis for improving or formulating new guidelines and as a basis for considering revising the original objectives and priorities if it is proved, for example, that documenting progress and performance cannot be done cost-effectively. These various approaches must also be included in an ongoing dialogue with NORAD.

Over many years the extent of overall environmental development assistance has been reported, assistance where environmental efforts of various kinds are the primary policy objective as well as where environmental components are integrated into other programmes and projects (the environment as a significant objective). This has been possible because uniquely Norwegian policy objective codes have been established for environmental efforts, in addition to the OECD/DAC’s sector codes. As the Office of the Auditor General also indicated in its report, documented overall Norwegian environmental efforts in the area of development cooperation is considerable, NOK 1.2 billion in 2000. And in 2001, environmental efforts increased to nearly NOK 1.4 billion.

Norwegian development cooperation statistics are essentially based on common OECD/DAC codes. This is as it should be. In NORAD’s case this means that DAC codes and subcodes are entered for each programme or project in the agency’s financial management system. However, DAC codes and subcodes for environmental assistance correspond only to a limited degree to the four themes for environmental assistance enshrined in Report no. 19 (1995–96) and Recommendation no. 229 (1995–96) to the Storting. This is the reason that it has so far not been possible to apportion environmental development assistance quantitatively among the four themes, but the matter will be followed up in further dialogue with the agency.

However, the Ministry would at this time like to point out that developing and using separate systems for reporting alongside the regular financial management system is resource-intensive and should, in the Ministry's view, take place only in extremely special cases. A question that will be evaluated is whether within DAC's relevant sector codes, i.e. including sectors beyond purely environment-oriented efforts, it is possible to identify subcodes relevant to the four defined themes in environmental development assistance. Although statistical reports based on such subcodes may help to improve reporting to the Storting, it is not considered likely that such reports can fully cover the overall Norwegian effort vis-à-vis the four themes in the area of environmental development assistance. Regardless, it will be necessary to weigh this reporting against the costs and – if it is deemed necessary – consider revising and clarifying previously set objectives in a way to make them more readily verifiable.

NORAD has a comprehensive development cooperation manual intended to facilitate quality assurance of development cooperation. The development cooperation manual also contains requirements for assessing sustainability elements, including the environment. However, the Office of the Auditor General's review showed that the guidelines have not been followed in the same manner in the two countries serving as case studies in the Office of the Auditor General's investigation and that the follow-up in each of the two countries varied at different stages in the project cycle and among projects. The Ministry will therefore discuss with NORAD how that agency can improve its routines to ensure that the guidelines in force at any time are followed systematically and that this can be documented satisfactorily. This is in part a question of the availability of tools that can be used for following up the guidelines. In this connection, NORAD is reconsidering its previous decision not to prepare an environmental handbook and is also evaluating alternatives such as introducing checklists like the ones the Office of the Auditor General refers to.

The Office of the Auditor General's calling attention to deficiencies in following up the guidelines on this point also raises this issue of whether the guidelines are sufficiently clear and have a level of ambition that addresses intersecting concerns for quality and effectiveness. If this does not prove to be the case, it would be appropriate to revise the guidelines. A relevant question will be, for example, what might be lost by limiting the requirements for environmental impact assessments to sectors to be defined that are assumed to pose a high risk of adverse environmental impacts. At the same time, the Ministry does not consider it a natural consequence of the principle of recipient responsibility that the Norwegian side is neglecting to ensure that environmental impact assessments are performed in accordance with current guidelines before a funding decision is reached.

It is in general still a challenge for the Ministry to improve overall reporting to the Storting. Internationally there has been a growing realisation that results – in the sense of “effects” – may only with difficulty be traced back to development cooperation given by individual countries. However, it is possible to measure the effect of the various developing countries’ own endeavours and the total development cooperation effort in these countries. It is likewise possible to measure development trends globally and in various regions. Through the UN, Norway has endorsed the international development goals, now called the Millennium Development Goals, and preparations are being made for overall reporting to the Storting to take place in the form of an account of progress in meeting these goals, followed by qualitative descriptions of how Norway contributed to this progress, cf. inter alia Proposition no. 1 (2001–2002) to the Storting. In this connection, evaluations, performed by Norway alone or in collaboration with recipient countries or other donors, will be important instruments for improving the level of information in reporting. In this way, environmental assistance will be linked to a special Millennium Development Goal, “ensure environmental sustainability”. For this goal, internationally recognised indicators have been developed, with regard to, for example, the proportion of land area covered by forest, carbon dioxide emissions and the ratio of area protected to maintain biological diversity to total surface area. These indicators are also relevant to the Office of the Auditor General’s research question regarding “avoiding environmental degradation”. The UN Secretary General will present thematic reports each year, and in 2003, one of the themes will be sustainable development. Every five years the Secretary General will present global reports covering all of the Millennium Development Goals. These global reports will be based on reports covering progress towards the various Millennium Development Goals in the individual countries. The Ministry of Foreign Affairs will utilise the UN reports in its overall reporting to the Storting.”

6 THE OFFICE OF THE AUDITOR GENERAL'S STATEMENT

The Office of the Auditor General has noted that the Ministry of Foreign Affairs is by and large in agreement with the findings and assessments made in this report, and that in dialogue with NORAD, the Ministry will follow up these findings in several ways.

The Office of the Auditor General would especially like to point out the importance of the fact that the requirements for planning and reporting in the financial management regulation for the central government also pertain to development cooperation funds, and that this does not conflict with the principle of recipient responsibility.

The Office of the Auditor General views favourably the fact that NORAD is reconsidering its previous decision not to prepare a new environmental manual, and that the use of checklists in the preparatory phase may also be a measure under consideration.

This report will be submitted to the Storting.

Approved at the Office of the Auditor General's meeting 29 October 2002

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APPENDIX

**The Office of the Auditor General's investigation of
environmental development assistance**

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1 Introduction

1.1 Background

The issue of environment and development rose to the top of the Norwegian political agenda with the appearance of the Brundtland Commission's report in 1987. In its report, *Our Common Future*, the World Commission on Environment and Development stated that development questions cannot be separated from environmental questions because economic development that does not also address environmental concerns will drain the very resources on which it depends. The need for Norwegian development cooperation to address environmental concerns was underscored in several reports to the Storting from the 1980s and beyond.¹ Report no. 34 (1986–87) to the Storting, *The main issues in Norwegian development cooperation, Supplement to Report no. 36 (1984–85) to the Storting*, was marked by the ongoing efforts of the World Commission on Environment and Development and signalled the transition from environmental protection to sustainable development.² As a follow-up to this and to an environmental strategy from the Ministry of Foreign Affairs³ in 1986, in 1988 the Norwegian Agency for Development Cooperation (NORAD) published a manual for environmental assessments of development cooperation projects to assist project planners and executive officers.⁴

The environment and natural resource management were also key topics of the reports to the Storting on Norwegian development cooperation appearing in the 1990s: Report no. 51 (1991–92) to the Storting, *Trends in North-South relations and Norway's cooperation with developing countries* and Report no. 19 (1995–96) to the Storting, *A changing world: Main elements of Norwegian policy towards developing countries*.

As the 1990s wore on, the term “environmental assistance” became a common designation for two different types of activity. First, it came to stand for activities seeking to *integrate environmental concerns* into ordinary development cooperation programmes and projects. Although the primary

¹ Reports no. 36 (1984–85), no. 34 (1986–87), no. 51 (1991–92) and no. 19 (1995–96) to the Storting.

² Ibsen 2002.

³ Ministry of Foreign Affairs, *Environmental Protection and Development cooperation – A Strategy for Norwegian Environmental Protection Work in Development Countries*, Ministry of Foreign Affairs, 1986. Source: Skjønsberg. 2000.

⁴ Norwegian Agency for Development Cooperation: Environmental impact assessment of development cooperation projects. Checklist for preliminary assessments. 1988.

policy objective of such programmes is something other than the environment, the integration of environmental concerns is also thought to have a more beneficial environmental impact than would be the case without such integration. Second, it came to refer to *environment-specific development cooperation*, that is, programmes and projects whose principal objective is to improve environmental conditions in one way or another.

Environment-specific assistance has gradually increased in volume and share of total assistance. When the special grant for environmental protection measures was introduced in 1984, it amounted to NOK 10 million and grew to NOK 80 million by 1992. In 1999, grants totalling NOK 350 million were made through Chapter 155 of the fiscal budget “Environment and natural resource management”. Parallel to this, the environment was also incorporated into ordinary development cooperation (country programmes, assistance via non-governmental organisations etc.). Total Norwegian development cooperation with the environment as a primary or significant policy objective in 2000 amounted to NOK 1 176 billion.⁵

The integration of environmental concerns into bilateral development cooperation also received additional attention and in 1995 was evaluated at the request of the Ministry of Foreign Affairs.⁶ This evaluation points out that the principal challenge for Norwegian development cooperation lies in increased intersectoral environmental integration, including the building of capacity in the recipient country. It also points out that although environment-specific projects can be a useful supplement to general development cooperation, they can lead to coordination problems and increased dependence on development cooperation if the recipient country’s capacity and oversight capabilities are limited. The report praises NORAD for being among the first in an OECD context to have developed a system for performing environmental assessments and for being a leader among donor countries in supporting the development of national environmental strategies in partner countries.

⁵ The Norwegian Agency for Development Cooperation’s Finance and Budget Office.

⁶ ECON as and the Fridtjof Nansen Institute: “*Evaluation Report 5.95, Integration of Environmental Concerns into Norwegian Bilateral Development cooperation: Policies and Performance*”, Ministry of Foreign Affairs, 1995.

However, the report also points out a number of weaknesses, including faulty use and knowledge of the system for performing environmental assessments as well as deficient routines for documenting the environmental assessments that had been done, especially in the early phases of the programme or project cycle. This, the report concludes, makes it difficult to check the environmental assessments and is an obstacle to internal learning within the organisation.

In the preparation of the fiscal budget for 2002, the special grant for the environment and natural resource management was eliminated, with the following justification:

“The special grants have comprised a limited share of the total Norwegian support for these purposes. An evaluation of the special grant for the environment has shown that this grant has not sufficiently helped to foster integration of environmental concerns into development cooperation as a whole. Environmental efforts will now be made directly within the specialised area initiatives, while support for environmental measures through country programmes and multilateral organisations will continue.”

(Proposition no. 1 (2001–2002) to the Storting, Chapter 3)

The evaluation referred to here points out that having a separate special grant may be appropriate as a strategy instrument during a period of evolving policy in the area, but that the major challenge in the future will be to integrate environmental concerns into all development cooperation.⁷

1.1.1 The organisation of environmental development assistance

Administered by the Ministry of Foreign Affairs and NORAD, environmental assistance funding is distributed among various chapters of the fiscal budget. The Ministry of Foreign Affairs itself manages all bilateral development cooperation administered by international organisations (multi-bilateral, Chap. 165), whereas NORAD administers all development cooperation to priority countries and regions (Chap. 150). Other chapters of the budget, such as Chap. 155 *Environment and natural resource management*, are divided almost equally between NORAD and the Ministry of Foreign Affairs.

Within the Ministry of Foreign Affairs, the management of NORAD is located in the Department of International Development Policy. This department is also charged with following up on and refining environmental

⁷ KanEnergi AS, Overseas Development Institute and Bioquest HB: Evaluation Report 10/2000 *“Taken for Granted? An Evaluation of Norway’s Special Grant for the Environment”*, Ministry of Foreign Affairs, 2000.

policy in the areas of development cooperation, regional environmental processes and cooperation in a development cooperation context, in addition to *Kontaktutvalget*, a liaison committee for contact between the Ministry of Foreign Affairs, NORAD and Ministry of the Environment in environmental matters. With regard to international environmental conventions and negotiations in the environmental area, the Department of Trade Policy, Resources and Environmental Affairs has the primary responsibility, with the exception of the Convention on Desertification, which is also located in the Department of International Development Policy.

NORAD has a relatively decentralised structure, where the embassies play a key role in administering development cooperation. NORAD/Oslo governs the activities of the embassies primarily through a dialogue on country programmes/country strategies and through plans of operation for the individual embassies.

1.2 Objectives and research questions

The purpose of this analysis was to investigate NORAD's integration of environmental concerns into ordinary development cooperation programmes and the results that these efforts can point to. Another objective was to chart the economic distribution and orientation of environmental assistance. In the investigation, the following research questions were elucidated:

What is the extent of environmental assistance?

How is the environmental assistance oriented geographically and thematically?

What are the procedures and practice for integrating environmental concerns into ordinary development cooperation programmes in the selected countries?

What guidelines and criteria form the basis for integrating environmental concerns?

At what stages of the programme or project cycle are environmental assessments performed?

What does the dialogue between NORAD and the recipient country include with regard to integrating environmental concerns into the programmes or projects?

How are any recommendations from environmental assessments incorporated into the programmes and projects so as to reduce the risk of environmental degradation?

To what extent are recommendations from environmental assessments incorporated during the programme or projects' design and implementation phases?

How does the division of roles and responsibilities between donor (Norway) and recipient assist in efforts to implement the recommendations?

How is the follow-up of recommendations checked?

Are environmental concerns integrated into the administration of Norwegian development cooperation in such a way as to avoid environmental degradation?

1.3 Presentation of selected countries in the investigation

1.3.1 Tanzania

A republic with a population of 32 million, Tanzania is politically one of Africa's most stable countries. However, conflicts in Congo and Burundi have had a direct impact on Tanzania: with more than half a million refugees, Tanzania houses more refugees than any other country on the continent. The economic situation is marked by macroeconomic stability, with growth in 2000 of 5.1 per cent and inflation of 5.5 per cent.

Nevertheless, the country is among the world's poorest. With a GNP per capita of USD 210, the country is ranked 140th out of 162 on the UN's Human Development Index. It is assumed that half of the population lives below the poverty line (one US dollar per day), and that 10 per cent are living with HIV or AIDS.⁸

The supreme environmental authority in the country is the National Environmental Management Council (NEMC), a relatively new government body that is still in the process of establishing itself. The country's environmental policy has been marked by the conflict between conservation and the desire for economic growth. However, environmental concerns are playing an ever-increasing role, both in formulating policy and on a project level.

Norwegian development cooperation to Tanzania

Tanzania became a priority partner for Norwegian development cooperation in 1966 and is the country that over the years has received the most bilateral development cooperation from Norway. Current development cooperation

⁸ Proposition no. 1 (2001–2002) to the Storting, Ministry of Foreign Affairs.

with Tanzania is based on “Country Strategy, Norwegian Development Cooperation with Tanzania 1994–97”, and the “Memorandum of Understanding (MoU) on Development Cooperation Between Tanzania and Norway”, signed on 21 October 1994.

The chief purpose of cooperation between Norway and Tanzania is to help to reduce poverty, for example, by strengthening the implementation of the country’s own poverty-reduction strategy. Important areas are good governance and support for essential reform processes, HIV/AIDS, the management of natural resources and investments in the areas of roads and energy. Priority is also given to regional cooperation initiatives and to continuing the support of Tanzania’s efforts in resolving conflicts in the region.⁹

The Norwegian embassy in Dar es Salaam handles development cooperation from the Norwegian side. Contact with Tanzanian officials is organised around annual consultations and through annual meetings for individual programmes or projects. As a strategy for its integration of environmental concerns, the embassy reported that the programme and project cycle management manual is an essential management instrument, and under it the various handbooks such as the one for the environment.

Recipient responsibility

Tanzania has come far in its efforts to strengthen national ownership and control of development cooperation. The formulation of the Poverty Reduction Strategy Paper (PRSP) has helped to sharpen the focus on poverty-reduction policy. The country has initiated a process aimed at creating its own development strategy, Tanzanian Assistance Strategy (TAS), which is an overarching governing framework over the international involvement in the country.¹⁰

Norwegian-Tanzanian environmental cooperation

The first important environmental cooperation between the two countries was started in the 1980s when NORAD established an environmental fund (the Special Grant for Environment and Development) where Tanzania was one of the countries included in the agreement. Between 1984 and 1990 Norway contributed through this fund to several environmental projects in

⁹ Proposition no. 1 (2001–2002) to the Storting, Ministry of Foreign Affairs.

¹⁰ Proposition no. 1 (2000–2001) to the Storting, Ministry of Foreign Affairs.

Tanzania. In 1994 Tanzania and Norway signed an agreement for support for a Management of Natural Resources Programme. Between 1994 and 2000 almost NOK 130 million was appropriated for various projects through this fund. In 1997 the programme was evaluated by an independent team at the request of NORAD, among others. The team recommended the programme's continuation, but also suggested measures for improvement. It was underscored that several of the projects should have been handled in a more satisfactory manner, which applied in particular to popular participation, and that the central coordination and follow-up of the programme should be strengthened. As a result, a new phase of the programme was initiated in 1998 with a sharper focus on institutional development.

1.3.2 Sri Lanka

Sri Lanka is a republic with a population of 19 million and well-developed central and regional authorities with long experience in government and administration. The level of education is relatively high, with a literacy rate of 90 %, which, according to NORAD, has provided the basis for assuming extensive recipient responsibility in its cooperation with Norway.

When it attained independence in 1948, Sri Lanka was a relatively well-developed and prosperous country, earning a high income from the export of agricultural products, primarily tea. Since then, however, the economic performance of Sri Lanka has suffered from the civil war there, which has caused vast human and material devastation. Nevertheless, the country has managed to enjoy a level of economic growth that raised it from the group of poor countries to the group of lower middle-income countries. In 1999, GNP per capital was USD 800 and life expectancy was 73 years.¹¹ Despite a high level of education, there is widespread poverty, especially in rural areas, and wealth is very unequally distributed.¹²

Sri Lanka established a ministry of the environment in 1990. In 1992 the Sri Lankan authorities adopted the National Environmental Action Plan (NEAP), modelled on one drawn up by the World Bank. Sri Lanka has also introduced environmental impact assessment regulations and using development cooperation from outside, has prepared action plans in various sectors.

¹¹ By way of comparison, corresponding figures for Tanzania are GNP of USD 210 and a life expectancy of 47 years. Source: the NORAD's website.

¹² From NORAD's website, 7 February 2002.

Norwegian development cooperation to Sri Lanka

Norway's bilateral cooperation with Sri Lanka goes back to 1977, and up until 2001, the country has been a priority partner country for Norwegian development cooperation. This cooperation has concentrated on long-term, integrated rural development programmes, but projects contributing to reconciliation and peace and fostering human rights and democracy have gradually received greater focus as a result of the armed conflict. This was emphasised in the new guidelines for development cooperation with Sri Lanka that appeared in 1998.

The primary purpose of cooperation with Sri Lanka is to help to bring about peace and reconciliation between ethnic groups and a cessation of the conflict, respect for, and honouring of, human rights and the development of democracy, rehabilitation and development in conflict-ravaged areas and an improved basis for sustainable employment.¹³

The environment, the participation of women and private sector development are stressed as key areas. In 1998, Sri Lanka was selected as one of three pilot countries in the Ministry of Foreign Affairs' strategy for economic cooperation in the South. About 40 % of this effort is to be in the economic development performance area, whereas the share for social development is to be around 20 %.

In its treatment of Recommendation no. 3 (2001–2002) to the Storting, the Storting voted to reduce the number of priority partner countries, and Sri Lanka was transferred to the category "Other partner countries".

From the Norwegian side, development cooperation is handled by the Norwegian embassy in Colombo. Cooperation with Sri Lankan officials is organised around annual consultations, which on Norway's part are headed by the Ministry of Foreign Affairs. The topics of the consultations are decided by the Norwegian side, enshrined in the "mandate for dialogue", but are the result of cooperation and discussions. In addition, annual meetings are held on the programme and project level. The embassy reported that integrating environmental concerns can be and has been brought up in both forums, but most often on the programme and project level. Norway also participates in international meetings of donor countries sponsored by the World Bank.

¹³ From Propositions to the Storting from 1999 and later.

Recipient responsibility

The guidelines attach importance to the principle of recipient orientation and responsibility and underscore the opportunities for realising the intentions of Norwegian development cooperation, since there is largely agreement between the two countries' understandings of the prerequisites for creating development. The emphasis is on strengthening Sri Lankan know-how in planning and administration in priority areas of cooperation. Recipient responsibility is also underscored in the embassy's reporting back to Norway through plans of operation and reports (1999–2001). The report for 1998 states that environmental concerns were gradually being better addressed by the Sri Lankan authorities, including in respect of industrial pollution.

Norwegian-Sri Lankan environmental cooperation

In 1989, Sri Lanka and Norway signed an agreement on an environmental programme (LKA 027), with the Sri Lankan Ministry of Transport, Environment and Women's Affairs responsible for its implementation. The programme's objectives were to support Sri Lankan authorities in their efforts to improve environmental protection and natural resource management as well as in new measures in forest, coastal and wildlife management, water, health and education, among others. A review in 1996 concluded that the programme made a positive contribution to the development of Sri Lanka's environmental protection institutions on a national, regional and local level. Sri Lanka's new Ministry of the Environment (established in 1990) is mentioned among these institutions.

The guidelines from 1998 emphasise that development cooperation for environmental protection and improved management of natural resources should continue, but there should be an increased concentration on fewer but larger projects, particularly to strengthen institutional capacity and reduce the negative consequences of increased industrial development. Environmental concerns beyond this are to be integrated, if possible, into programmes in all the other performance areas wherever relevant.

Although the environmental programme was formally concluded in 1999, some activity has continued in connection with ending various projects in later years. In all, over 100 projects received support, with total budget of approx. NOK 28.5 million.

2 Implementation and method

The research questions were elucidated with the aid of document analyses, reviews of files, interviews, project visits and field analyses. The audit criteria were submitted to the Ministry of Foreign Affairs and the Norwegian Agency for Development Cooperation (NORAD) for comments.

2.1 Document analysis

2.1.1 Policy documents

An analysis was done of key Storting documents, strategies, appraisals, project documentation and other relevant documentation. The audit criteria were derived from an analysis of Storting documents, documentation from the Ministry of Foreign Affairs and NORAD's guidelines for environmental assistance. In addition, the guidelines of the Swedish International Development Cooperation Agency (SIDA), Danish International Development Cooperation (DANIDA) and of the World Bank and the OECD/DAC¹⁴ for integrating environmental concerns into development cooperation programmes were reviewed. Elements from these sources were incorporated into the audit criteria to the extent that they were perceived as recognised international practice for environmental assessments in the 1990s and supplement NORAD's own guidelines. The focus is on guidelines for integrating environmental concerns on a project level.

2.1.2 Analysis of statistics

Statistical analyses were performed of register data with information on all development cooperation agreements with disbursements or revenues in 1998, 1999 and 2000 for official development cooperation (ODA).¹⁵ This included development cooperation financed through programme area 03 *International development cooperation under the Ministry of Foreign Affairs*, with the exception of programme category 03.50, Chapter 197, *Development cooperation to countries not approved for ODA and international environmental programmes*. This means, for example, that transfers over programme item 70 *Grants for nuclear safety programmes and the*

¹⁴ The OECD's Development Cooperation Committee.

¹⁵ Official Development Assistance (ODA) is development cooperation satisfying the criteria for development cooperation set forth by the OECD's Development Assistance Committee (DAC). This designation was introduced to distinguish development cooperation from other transfers to countries in the South (cf.: Johannessen and Leraand 1997).

cooperation programme with Central and Eastern Europe were not covered by the analysis. Programme category 03.50 accounted for just under NOK 600 million in 1998 and approx. NOK 300 million in 1999 and 2000. These data were gathered from NORAD's project database for the period in question. The purpose of the analysis is to show the volume as well as thematic and geographical orientation of Norwegian environmental assistance.

In keeping its statistics, the agency classifies its agreements by target area, where the environment is one of the categories. Thus, NORAD's project database contains information on whether the individual development cooperation agreements are targeted on the environment, i.e. whether the agreements have environmental goals as a principal or significant policy objective¹⁶. NORAD's guidelines for keeping statistics¹⁷ list a number of requirements for development cooperation to be classified as having environmental objectives. For these requirements to be met, the environmental goals are to be considered the *principal or primary* policy objective or a *significant* policy objective. To be classified as a principal or primary policy objective, the environmental goal is to be explicit and basic to the design and impact of the activity or programme. The environmental goal is classified as significant when the goal is important, but not one of the primary reasons for implementing the activity or programme. As a general rule, omitting an activity in order to prevent a development cooperation programme from impacting adversely on the environment is not supposed to result in the environment being indicated a policy objective. If to avoid environmental degradation, specific active courses of action are taken that involve substantial extra costs, the environment may be stated as a significant policy objective (*ibid.*). Integrating environmental concerns in order to prevent development cooperation from having an adverse environmental impact will therefore not necessarily result in a project or programme being classified as having an environmental policy objective, and this project or programme may thus fall outside the statistical definition of environmental assistance.

In NORAD's database, environmental goals are indicated as a property of the entire agreement. In cases where the agreement pertains to a programme embracing more than one project, either all or none of the projects will be classified as environmental.

¹⁶ For 1998, environmental assistance is defined as the categories population programmes, environment-integrated programmes and environment-specific programmes.

¹⁷ *Manual for Statistical Classification in PTA*, Norwegian Agency for Development Cooperation/ØKON, Sept. 1999.

Development cooperation agreements are classified according to the OECD/DAC standard for division into main categories and subcategories depending on the societal sector the development cooperation is targeted on, as well as according to performance area based on a grouping of DAC categories.

It is not possible to extract figures from NORAD's project databases that are apportioned among the four priority areas for Norwegian environmental assistance outlined in the Ministry of Foreign Affairs' *A strategy for environment in development cooperation* ¹⁸. It is therefore impossible in this investigation to look at the projects distributed among the four priority areas for Norwegian environmental assistance. Instead, the investigation has chosen to analyse the orientation of Norwegian development cooperation in respect of the statistics variables available in NORAD's project database, in this regard primarily sector division, performance area and stated environmental goals.

2.1.3 Reviews of files

A review of files and document analysis were performed of eleven selected bilateral programmes, six in Tanzania and five in Sri Lanka. The purpose of the review was to ascertain how the environment was integrated during project planning, implementation and follow-up. The focus was chiefly on Norwegian efforts.

Tanzania and Sri Lanka were chosen because both countries were priority partner countries for Norway for an extended period and because a large percentage of the development cooperation to these countries is channelled into economic development programmes and projects. This performance area includes sectors in which it is often necessary to integrate environmental concerns to avoid environmental degradation. In addition, the Office of the Auditor General wanted geographical diversification and countries with different institutional capacities in respect of environmental management.

¹⁸ The four areas are as follows: 1) Development of sustainable production systems, 2) Conservation and sustainable use of biological diversity, 3) Reduced pollution of soil, air and water and 4) Preservation of cultural heritage and management of the natural environment's cultural values. Source: *Strategy for environment in development cooperation*, Ministry of Foreign Affairs, 1997.

Table 1 Selected projects in Tanzania

	Amount (NOK)	File review	Field visit/ project analysis
Lower Kihansi Hydropower Plant Project	380 million	Yes	No
Chang'ombe substation	30 million	Yes	No
Sumbawanga-Mbala transmission line	103 million	Yes	Yes
Repair of the Chalinze-Melega section of the Tanzam Highway	53 million	Yes	No
Rehabilitation of the Mweka Road in Kilimanjaro Region	10 million	Yes	No
Rehabilitation of the Songwe-Tunduma section of the Tanzam Highway	167 million	Yes	Yes

Table 2 Selected programmes and projects in Sri Lanka

	Amount (NOK)	File review	Field visit/ project analysis
Hambantota Integrated Rural Development Programme (HIRDEP) Phase 3 1995-99	40 million	Yes	No
Monoragala Integrated Rural Development Programme (MONDEP) Phase 2	60 million	Yes	No
Development and Rehabilitation Programme for Batticaloa (DERBA)	60 million	Yes	No
Plantation Development Support Programme (PDSP)	75 million	Yes	Yes
Bata Atha Leather Complex	7.5 million	Yes	Yes

As is apparent from the list above, there is wide variation in the amount of funding allotted to the various programmes and projects. In Sri Lanka the audit focused on the integration of environmental concerns into rural development programmes that had several subprojects. In Tanzania the focus

was on major capital investment projects in the energy and road sectors. All the programmes and projects were planned and implemented in the 1990s, after NORAD's system for integrating environmental concerns was developed.

2.2 Interviews

Interviews were conducted on both the executive officer and administrator levels at the embassies. This includes the ambassador and counsellor responsible for development cooperation in Sri Lanka, the embassy counsellor in Tanzania and executive officers in both embassies. The minutes from the interviews have been verified and any comments have been taken into consideration.

In addition, there was contact with NORAD in Oslo during the entire project in connection with arranging the review of files and embassy visits.

2.3 Field visits and project analyses

At the request of the Office of the Auditor General, ECON - Senter for økonomisk analyse as conducted project analyses of two programmes/projects in Tanzania and Sri Lanka respectively. The purpose of the analyses was to evaluate whether the environmental assessments in the projects or programmes were adequate in respect of the activity's inherent environmental risks. The analysis is based on a review of available project documentation collected by the Office of the Auditor General in connection with embassy visits and interviews with key players, in addition to a field visit for each programme. The purpose of the field visits was to evaluate whether the environmental measures described in the documentation were adequately taken in connection with the implementation of the programmes or projects.

3 Audit criteria

3.1 Principal policy objectives of environmental development assistance

According to Report no. 51 (1991–92) to the Storting, *Trends in North-South relations and Norway's cooperation with developing countries*, Norwegian development cooperation is to foster social and economic development within the constraints of the natural environment. The report formulated objectives of

- preserving the earth's productivity
- improving the conservation and management of biological diversity
- improving water resource management
- reducing pollution

These objectives are to be realised by integrating environmental concerns into all development-assistance-financed programmes and by increasing environment-specific development cooperation. Recommendation no. 229 (1995–96) to the Storting, the treatment of Report no. 19 (1995–96) to the Storting, *A changing world*, restates the objectives of Norwegian development cooperation and enshrines them in five main points, one of which is to promote sound management of the earth's environment and biological diversity.

The division of responsibilities and tasks between Norway and the recipient countries is set forth in Report no. 19 (1995–96) to the Storting. The recipient is responsible for planning, implementing and following up projects and programmes. The report emphasises that this principle of recipient responsibility is not intended to relieve Norwegian authorities of their responsibilities for following up requirements and guidelines for development cooperation, and that strict requirements have been set for follow-up and oversight from the Norwegian side.

3.2 Environment-specific development cooperation

According to Report no. 19 (1995–96) to the Storting, direct environmental assistance shall be concentrated on four main themes:

- development of sustainable production systems
- conservation and sustainable use of biological diversity
- reduced pollution of the soil, air and water
- preservation of cultural heritage and management of the natural environment's cultural values

The report also discusses environmental cooperation with the poorest countries and regions. In keeping with the poverty-reduction orientation of long-term development cooperation, environmental cooperation with the poorest countries shall focus on

- more effective management of the resource base
- increased food safety
- preventing environmental damage
- encouraging sustainable production systems in agriculture, forestry and fishing

In Recommendation no. 229 (1995–96) to the Storting, the majority of the Standing Committee on Foreign Affairs endorse the proposed framework. However, the majority believe that cooperation on developing sustainable energy systems should also be central, emphasising in addition the importance of cultural heritage protection in a strategy for environmental assistance.¹⁹

3.3 Integration of environmental concerns into development cooperation programmes and projects

Report no. 34 (1986–87) to the Storting, *The main issues in Norwegian development cooperation, Supplement to Report no. 36 (1984–85) to the Storting* states that an objective for Norwegian development cooperation is to protect the productivity of the natural environment. One of the guidelines for attaining this is integrating environmental concerns into Norwegian-financed bilateral and multilateral projects and programmes. The Standing Committee on Foreign Affairs endorsed this, requiring in Recommendation no. 186 (1986–87) to the Storting “that all Norwegian development cooperation planning integrate concerns for long-term management of natural resources and the environment, so that all development cooperation programmes receiving funding satisfy the requirement for proper management of natural resources and do not preclude the possibility of ecologically sustainable development”.²⁰ The importance of guidelines and routines for integrating the environment into development cooperation was stressed again in the treatment of Report no. 19 (1995–96) to the Storting, Recommendation no. 229 (1995–96), in which the majority of the committee reminded the Storting that the Development Cooperation Commission had pointed out “the need for strengthening NORAD’s work on environmental matters, not just as a focus area, but also in respect of guidelines for dealing with the environmental aspect in projects”.²¹

¹⁹ Ibid. p. 23.

²⁰ Ibid. p. 30.

²¹ Ibid. p. 23.

The Ministry of Foreign Affairs' strategy for environmental assistance points out that it is crucial for quality assurance to take place in the initial segment of the project procedure, i.e. when projects are prepared and selected. The administration of development cooperation is to "improve the project cycle with special emphasis on developing and assessing alternative projects at the beginning of the project cycle (...) and evaluate/analyse the results of a project against development and project objectives".²²

In *Policy priorities for environmental development cooperation 1998–2001*, NORAD was asked by the Ministry of Foreign Affairs to elucidate the criteria for preparing environmental impact reports on the programme and sector level and other forms of quality assurance such as environmental audits and the use of environmental standards. It states furthermore that the procedures should be reviewed to ensure that the environmental aspects of all projects have been assessed. In its letter of allotment 1/98 the Ministry of Foreign Affairs asked NORAD to develop a system of reporting that besides providing an overview of environmental assistance also highlights the results of integrating environmental concerns into development cooperation.

Also as a member of the OECD Development Cooperation Committee, Norway has approved a policy stating that development cooperation projects and programmes that by their nature, size and/or location may have an environmental impact must be evaluated at as early a stage as possible. Furthermore, environmental concerns must be fully integrated into the selection, design and implementation of the project, and administrative responsibility for environmental aspects must be clarified early on.²³

NORAD's guidelines for programmes in the area of government-to-government assistance, *Programme and Project Cycle Management Manual for Government-to-Government Cooperation*, spells out NORAD's and recipient's respective obligations in the planning, implementation and reporting of programmes and projects.²⁴ *Environmental sustainability* is one

²² The strategy refers to Recommendation no. 229 to the Storting. In it, the remarks of the minority to the effect that Norwegian bilateral development cooperation must stress preparing environmental impact reports before projects get under way are attributed to the majority. The strategy does not clearly specify that the majority's remarks to the effect that it is crucial that decisions on projects impacting the environment not be made without complete environmental impact reports allude to recommendations of multilateral bodies such as the World Bank and UNDP.

²³ OECD/DAC: Guidelines No. 1: Good Practices for Environmental Impact Assessment of Development Project 1992, p. 6. Except from a list of criteria for best practice that the member countries have adopted.

²⁴ *Programme and Project Cycle Management Manual for Government-to-Government Cooperation*. Norwegian Agency for Development Cooperation, 1998.

of several sustainability elements that the recipient is obligated to address and NORAD obligated to follow up. The sustainability elements are discussed in an appendix to the manual, and in respect of the environment, NORAD is to assess

- how the programme or project accords with legal and policy frameworks for the sector
- impact on the natural environment
- utilisation of natural resources
- impact on the man-made environment
- the impact of the programme or project on the local population and on health
- a comparison with alternative approaches and the consequences of not implementing the programme or project
- implementation of measures to protect or relocate affected groups²⁵

3.3.1 Preparatory phase

NORAD's obligations in preparing a development cooperation programme are tied to three key documents:

- mandate for dialogue
- appraisal of the project document
- appropriation document.

The recipient's obligations are tied to an environmental impact study, if any, and the project document itself.

Mandate for dialogue

After a request for programme or project funding from a recipient, NORAD shall review all available documentation with a view to environmental sustainability as described above. Based on this review, for larger, long-term programmes or projects or programmes or projects of a sensitive nature, NORAD prepares a "mandate for dialogue" with recommendations regarding whether the programme can be funded within the guidelines given for Norwegian development cooperation to the country, and whether more detailed environmental studies or a full environmental impact assessment is required. For these preliminary assessments, NORAD's manual refers to a supplementary handbook.²⁶ This deals with various categories of programmes or projects that might have major environmental impacts,

²⁵ Besides the environment, the following sustainability elements are addressed: *policy support measures, institutional aspects, economic aspects, technological aspects and socio-cultural and gender aspects.*

²⁶ Norwegian Agency for Development Cooperation: *Environmental impact assessments of development cooperation projects. Checklist for preliminary assessments*, Third printing, Oslo, December 1989.

fourteen categories in all: agriculture, animal husbandry, forestry, fishing, aquaculture, hydropower development, water supply, transport, industry and energy, mining and earth removal, waste management, urban and village development, plant protection and oil and gas.²⁷ In addition, there is a list of particularly vulnerable environments, where there is reason to be vigilant.

NORAD's handbooks for environmental assessments are discussed as supplements and not binding instruments in preliminary assessments. Comparable systems internationally are of a more binding nature. The World Bank and Danish International Development cooperation use a classification system, used also by OECD, for all projects. According to this system all project proposals are to be placed into the categories A, B and C, where category A is for projects that based on their type, scale and location are assumed to have an adverse impact on the environment and/or affected groups in the area in question, and which require a full environmental impact assessment.²⁸ Examples of category A projects are forestry production, road construction, waste management and hydropower (large-scale construction and rehabilitation). Projects in category B are smaller-scale construction or rehabilitation in agricultural industry, energy efficiency, road improvements, rural electrification and tourism. These require a limited assessment. Category C projects, such as in education, health and institutional development and nutritional programmes, require no further studies.²⁹

NORAD's programme and project cycle management manual recommends that the embassy, as part of its administrative responsibility, consult environmental development experts (Technical Department) in connection with the mandate for dialogue. In its guidelines, the World Bank has explicit requirements for when administrators are to consult environmental development experts. This applies, for example, when classifying a project or programme. After reaching agreement with the environmental experts, the executive officer is to add his or her conclusions from the assessments to the project documentation according to procedures described in detail.³⁰

This investigation will emphasise the importance of a system of environmental assessments being binding in the preparatory phase. In this phase, a justified environmental risk is sufficient and there is no requirement

²⁷ A separate manual, called a Preliminary Risk Analysis, has been prepared for each category.

²⁸ World Bank: *Environmental Assessment Sourcebook Update. Environmental Screening*. Number 2., April 1993 / DANIDA – Ministry of Foreign Affairs: *Environmental Assessment for Sustainable Development*. December 1999.

²⁹ World Bank: pp. 3-4 / DANIDA: p. 24.

³⁰ World Bank: OP/BP 4.01, paragraphs 1-3. 1999.

to document harmful environmental impacts before it is decided, if at all, to perform more detailed environmental studies or a full environmental impact assessment. Justification for the decision is supposed to appear in the documentation.

Terms of reference and the environmental impact assessment

In cases where a further environmental study and/or environmental impact assessment is necessary, terms of reference for them must be drawn up, whereupon the necessary resources are called upon to implement the type of investigation mandated.

Consideration must be taken of any local knowledge and local experiences. Furthermore, any assessment must cover possible adverse impacts both for the project's target group and for the rest of the local population. The OECD's guidelines especially emphasise the importance of involving in the process local institutions and affected groups in the population.

In keeping with the principle of recipient responsibility, it is the recipient of development cooperation that is responsible for performing the actual environmental impact assessment. This does not preclude NORAD from assisting the recipient in the work to carry out the study. Then result of any studies shall be presented before the final project document is drawn up.

Project or programme appraisal

The applicant's complete project document goes to NORAD for appraisal. The project document shall be evaluated with regard to the conditions set in the mandate for dialogue and shall make a recommendation regarding any funding. If an environmental impact assessment was done, an evaluation must be made of whether it was performed in line with the terms of reference, whether affected groups were appropriately consulted and whether the main findings of the assessment have been incorporated into the project document.

The Swedish International Development Cooperation Agency has drawn up a general checklist for evaluating the content of the environmental impact assessments done in connection with a proposed project:³¹

- What are the beneficial and adverse environmental impacts of the proposed project?

³¹ SIDA 1998, p. 12. In addition, separate checklists have been prepared for the various sectors.

- Is the proposed project a reasonable alternative for attaining set objectives, or are there alternatives that are better from an environmental standpoint?
- If there is confusion related to any environmental impacts and what they entail, does the proposed project follow the precautionary principle?
- Is it likely that the project will contribute positively to environmental sustainability?
- Is there a risk that the project will have environmentally adverse impacts? If so, is the proposed project designed to minimise them? Can they be improved?

Appropriation document and agreement

Before a final decision to fund a project, NORAD is supposed to formulate a basis for its decision, the appropriation document. This document is intended to elucidate any environmental impacts. The results of environmental assessments are to appear in the document, as well as the sorts of measures to be taken to deal with environmental aspects and reduce impacts.

Agreements signed by NORAD and the recipient specify any obligations and conditions tied to the allocation of funds. A summary of the project is to be annexed, with a description of obligations and conditions that the recipient is to fulfil in designing and implementing the project, as well as the format for reporting. The agreement, with annexes, forms the basis for following up, monitoring and reporting on the project or programme.

According to the programme and project cycle management manual *all* programmes and projects funded by NORAD shall be evaluated for environmental impacts. Environmental concerns shall be addressed in all programme or project documentation, including the completion documents.

3.3.2 Follow-up and implementation phase

The recipient shall submit project and progress reports to NORAD, which uses them to monitor compliance with the obligations in the agreement. For programmes and projects in which an environmental risk has been identified, environmental issues are to be part of an obligatory part of the dialogue between NORAD and the recipient. If the reports that NORAD receives from a recipient do not contain sufficient information for the agency to follow up the project, it is the responsibility of that agency to request additional information. Annual meetings are also held on the programme or project level between NORAD, represented by the embassy, and the recipient, at which plans for the coming year and challenges in the programme or project are discussed. If necessary, the embassy may request the Technical Department of NORAD for assistance during these meetings.

3.3.3 Completion phase

The programme and project cycle management manual states that for all projects, a completion document is to be prepared. Project appraisals and completion documents are important contributions to the process of improving Norwegian development cooperation. Environmental aspects and experiences from efforts to implement the environmental assessment in the design and implementation of the project should be highlighted in these documents, with a view to improving development cooperation.

NORAD's role in the project or programme's various phases, with regard to both involvement and follow up, must be assessed in relation to the total effort regarding the environment within the area in which the project or programme belongs, the recipient's own legislation as well as the participation of other donor countries and international institutions in the project or programme.

3.3.4 Guidelines for integrating environmental concerns on the programme level

The programme and project cycle management manual does not reflect the transition to sector programmes at NORAD. In development cooperation on the programme level, institutions such as Danish International Development cooperation and the World Bank attach weight to strategic impact assessments that look at the orientation of the programme (containing many different projects) as a whole, rather than at each individual project. In its guidelines for environmental assessments, the Danish agency has included rules for conducting an environmental study in the preparations for a sector programme.³² Vital elements are³³

- key environmental issues within the sector
- an overview of environmental legislation
- experiences with environmental assessments within the sector and the limitations of these
- the responsibility for collecting and processing environmental data within the sector, if this is required by the national authorities
- the recipient country's endorsement and ratification of international conventions and environmental agreements that are relevant to the sector

³² Danish International Development cooperation defines a sector as "a coherent set of activities which can be relevantly distinguished in terms of policies, institutions and finances, and which need to be looked at together to make a meaningful assessment". *Guidelines for Sector Programme Support*. DANIDA, May 1998.

³³ *Ibid.* p. 21.

The World Bank's guidelines attach additional importance to the recipient having a suitable system for integrating environmental quality objectives for the various projects in the programme.³⁴ The decision on which environmental assessments should be implemented depends on which components and projects within the sector programme are deemed potentially to pose the greatest environmental risk.

3.3.5 International environmental conventions

Report no. 19 (1995–96) to the Storting emphasises the responsibility that “Norway has assumed in assisting developing countries in working towards better global environmental management, including through conventions on biodiversity, climate change and desertification, respectively”.³⁵ Also the Ministry of Foreign Affairs' strategy for environment in development cooperation 1997–2005 stresses Norway's international commitments by stating that “several of the global environmental conventions cover development aspects, which makes it particularly imperative to ensure the best possible agreement between the obligations under the conventions and the conduct of development cooperation policy”.³⁶ One of the conventions that Norway has ratified is the Convention on Biological Diversity, among the goals of which is to ensure the preservation of biodiversity and sustainable use of the components of biodiversity.³⁷ The Ministry of Foreign Affairs' environmental strategy emphasises the importance of development cooperation in efforts in conservation and the sustainable use of biological diversity. The strategy states that “in most developing countries, the national and local significance of biological diversity for subsistence and future development potential will be of the utmost importance”.³⁸

³⁴ World Bank: *Environmental Assessment Sourcebook, Updates no. 4 (Sectorial Environmental Assessment)*, October 1993 and *no. 15 (Regional Environmental Assessment)*, June 1996.

³⁵ *Ibid.* p. 31.

³⁶ *Ibid.* p. 4.

³⁷ Report no. 13 (1992–93) to the Storting on *The UN Conference in Rio de Janeiro on environment and development* and Proposition no. 56 (1992–93) to the Storting on *Consent to ratification of the Convention on Biological Diversity of 22 May 1992*. Here biodiversity is defined as “The variability in living organisms from every source, including terrestrial, marine and other (aquatic) ecosystems, as well as the ecological complexes of which they are a part; this includes the diversity within species (genetic variation), at the levels of species and ecosystems”.

³⁸ *Ibid.* p. 8.

4 Description of the findings

The fact section is divided into three areas. The first is a review of the volume and economic, thematic and geographical orientation of Norwegian development cooperation, followed by a presentation of the investigation of the selected programmes in Tanzania and in Sri Lanka.

4.1 Orientation of Norwegian environmental development assistance

In 2000 Norwegian development cooperation totalled approx. NOK 11.1 billion. Of this amount, 37 % was channelled through NORAD. In all, about NOK 1.2 billion, or approx. 11 % of total development cooperation, was spent on environmental assistance.^{39, 40, 41} Around three-fourths of the environment-oriented development cooperation is given as bilateral development cooperation through NORAD.⁴²

Table 3 shows the magnitude of the share of environmental development within the various development cooperation channels from 1998 to 2000. Environmental assistance measured as a percentage of total development cooperation has evinced a somewhat declining trend during this period. However, with regard to development cooperation channelled through NORAD, the share that is environment-oriented grew by seven percentage points from 1998 to 2000, as shown in Table 4.

³⁹ In this report, development cooperation categorised as administration costs are not included in the percentage basis for calculating environmental assistance and the other development cooperation types as a share of total development cooperation.

⁴⁰ In the Norwegian Agency for Development Cooperation's project database for 1999 and 2000, environmental assistance (designated as "environ." in the tables) is defined as programmes or projects with the environment as the primary or a significant policy goal. For 1998, environmental assistance is defined as the categories population programmes, environment-integrated programmes and environment-specific programmes.

⁴¹ As mentioned in Chapter 2, the source data comprises only assistance approved as official development cooperation (ODA). This means, for instance, that transfers via the programme category 03.50, Chapter 197, programme item 70 *Grants for nuclear safety and the cooperation programme with Central and Eastern Europe* is not included in the table or the rest of the analysis. The same pertains to item 76 *Grants for international climate and environmental programmes*.

⁴² The figures in Table 3 for 2000 mean that 77 % of environmental assistance was given as bilateral assistance, 18 % was given as multi-bilateral and 5 % as multilateral development cooperation.

Table 3 Development cooperation via NORAD and Ministry of Foreign Affairs by channel and percentage that is environment-oriented, 1998–2000

NOK million	1998		1999		2000	
	Total	Of which environ.	Total	Of which environ.	Total	Of which environ.
Administrative expenses	451	0 %	526	0 %	563	0 %
Bilateral (government-to government)	5 180	14 %	5 626	16 %	6 165	15 %
Multi-bilateral (programmes implemented by international organisations)	1 541	20 %	1 697	14 %	1 487	14 %
Multilateral (grants to international organisations)	2 802	10 %	2 832	3 %	2 901	2 %
Total	9 974	14 %	10 680	12 %	11 115	11 %

Source: NORAD's project database

Table 4 Development cooperation via NORAD and percentage that is environment-oriented, 1998–2000

(Administrative costs have been omitted)

NOK million	1998		1999		2000	
	Total	Of which environ.	Total	Of which environ.	Total	Of which environ.
Total	3 856	17 %	3 746	23 %	3 740	24 %

Source: NORAD's project database

4.1.1 Geographical orientation

By region

Africa receives the most development cooperation, and in the period 1998–2000, approx. 16 % of the development cooperation funds for this region were spent on programmes or projects with environmental objectives. In Asia and Latin America, a somewhat larger share of development cooperation funds is spent on environmental assistance than in Africa.

Table 5 Percentage of development cooperation that is environment-oriented in each region, 1998-2000 ⁴³ (Administrative costs have been omitted)

Region ⁴⁴	1998	1999	2000
Africa	16 %	17 %	16 %
Asia	16 %	21 %	18 %
Latin America	12 %	18 %	19 %
Europe ⁴⁵	0 %	0 %	2 %
Oceania ⁴⁶	15 %	58 %	59 %
Global, unspecified	22 %	22 %	16 %
Multilateral development cooperation	10 %	3 %	2 %
Total	14 %	12 %	11 %

Source: NORAD's project database

Environmental assistance to Norway's priority partner countries

In 2000, NOK 285 million was spent on environmental assistance in Norway's priority partner countries. As one can see in the following figure, approx. one-fourth of this went to Tanzania. Mozambique, Tanzania, Zambia and Ethiopia are the priority partner countries that received the most (bilateral) development cooperation in 2000. Along with Sri Lanka, there are also among the countries where the most money is spent on environmental assistance.

⁴³ The basis for calculating percentages (N) in the table appears in *Appendix, Table 8: Total development cooperation by region*.

⁴⁴ Development cooperation that is not assignable to region is classified as multilateral development cooperation (MUL) or "global, unspecified" (GLO).

⁴⁵ Grants for nuclear safety and the cooperation programme with Central and Eastern Europe are not included in the table, cf. footnote 42.

⁴⁶ Even though almost 60 % of the development cooperation to Oceania was environmental in 1999 and 2000, this amounts to relatively small totals (for example, NOK 1.5 million in 2000).

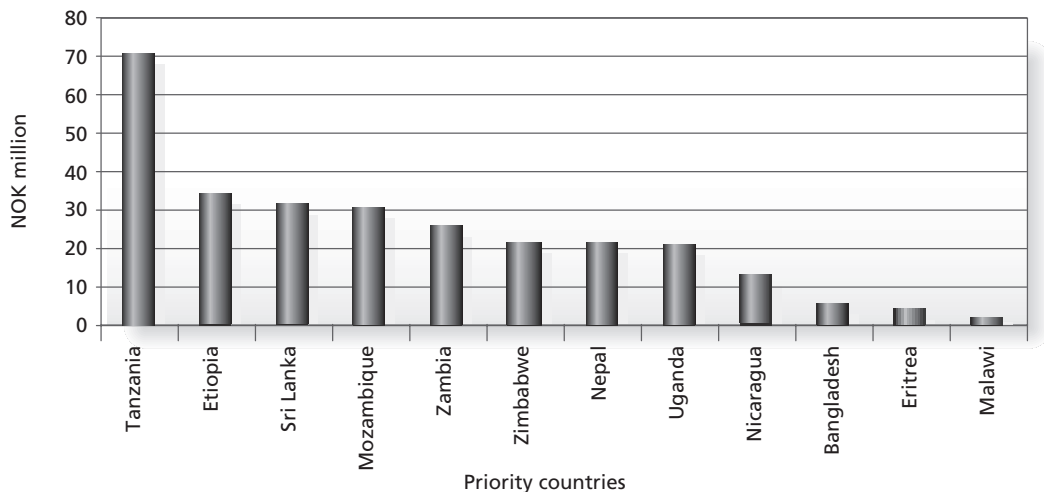


Figure 1 Net environmental assistance to priority countries in 2000

Source: NORAD's project database

For Norway's priority partner countries, nearly as much money goes for programmes and projects where the environment is classified as a primary policy objective as goes for programmes and projects where the environment is classified as a significant policy objective. This means that nearly as much money is spent on purely environmental programmes and projects as on programmes and projects where the environment is significant, but not the primary policy objective.

4.1.2 Environmental assistance by performance area and sector

Priority theme areas

Since 1997 NORAD has not reported quantitatively on how expenses for its environmental assistance are apportioned among the four priority theme areas approved by the Storting.⁴⁷ NORAD's project database does not show a direct connection between programmes and projects or expenses and the four theme areas. However, it is possible to gather data on this by manually reviewing programmes within relevant DAC sectors. This is how in recent years NORAD has been formulating its reports to the Ministry of Foreign Affairs on environmental assistance in the form of an overarching descriptive account.

⁴⁷ 1) Development of sustainable production systems, 2) Conservation and sustainable use of biological diversity 3) Reduced pollution of soil, air and water and 4) Preservation of cultural heritage and management of the natural environment's cultural values. Ref.: *Strategy for environment in development cooperation*, Ministry of Foreign Affairs, 1997. Cf. Chap. 3, Subsection 3.2.

In 1999 at the request of NORAD, Deloitte & Touche prepared a report⁴⁸ for the period 1994–1997 containing a statistical overview of NORAD’s environmental appropriations and how they were apportioned among the four themes.⁴⁹ Deloitte & Touche categorised programmes and projects by theme by gathering information from embassies and from various departments in NORAD.⁵⁰ For the environment-specific projects that could be classified by environmental theme, the report showed that over 50 % of the appropriations went to projects aimed at *sustainable production*. This was followed by *reduced pollution* with 21 %, *other/combination* with 17 %, *biological diversity* with 12 % and *protection of cultural heritage* with 0.4 %.

Performance area and sector

In both 1999 and 2000, of total bilateral development cooperation, most money was spent in the performance areas of social development and humanitarian aid. Economic development, however, is the performance area where most money was spent on environmental assistance, followed by the performance area *other*. In 2000, NOK 435 million was spent in the performance area economic development, NOK 340 million in “other” and NOK 262 million in social development.

⁴⁸ Deloitte & Touche: “*Review of environment-specific programmes and projects, 1994–1997*”, Norwegian Agency for Development Cooperation, 1999.

⁴⁹ Besides the four priority environmental themes, category 5) *Other/combination* was used in the report. For 26.5 % of the projects in the sample were impossible to assign to the environmental theme categories (1-5). These were omitted from the report.

⁵⁰ Deloitte & Touche stated that uncertainty and sources of error attach to the classification environment-integrated/environment-specific as well as to division into environmental topics.

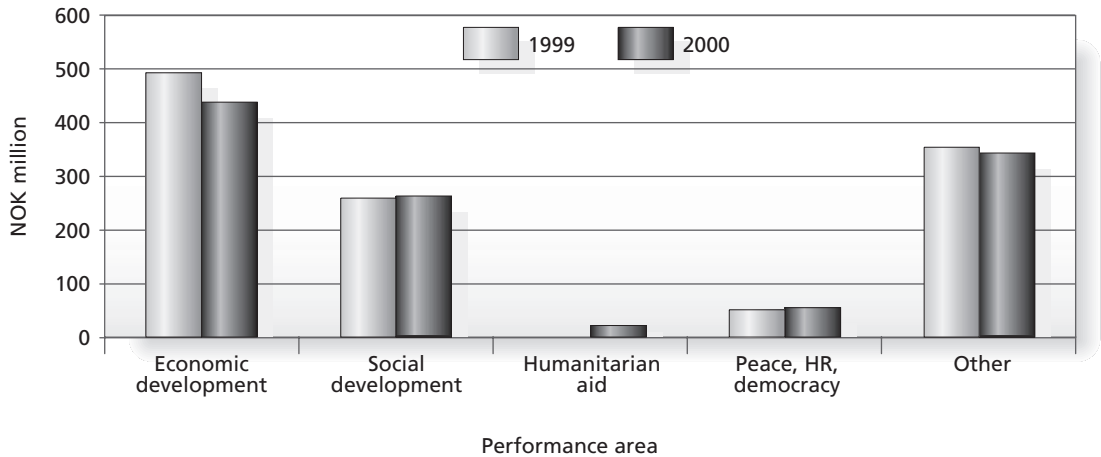


Figure 2 Environmental assistance by performance area. 1999 and 2000
 (The figure does not include multilateral development cooperation)

Source: NORAD's project database

In the economic development performance area, a large percentage of environmental assistance was spent in the sector areas of agriculture, energy, fishing and forestry. In the area of social development, out of a total of NOK 262 million in 2000, nearly half was spent in the area *water supply and sanitation*. The sectors mentioned in the areas of economic and social development are sectors in which there is often a need to integrate environmental concerns into development cooperation programmes and projects to avoid environmental degradation. A large percentage of funds in these performance areas went to programmes and projects with the environment as a significant policy objective. These may either be programmes and projects where the environment is one of several objectives, or where the design of the agreement involves an active course of action and substantial extra costs as to avoid negative environmental impacts.⁵¹ In the performance area other, almost all environmental assistance is categorised as *multisectoral environmental aid* with the environment as a primary policy objective. The environmental assistance in this performance area is therefore more expressly environment-specific than is the case in the areas of economic and social development.

⁵¹ Ref.: "Manual for Statistical Classification in PTA", Norwegian Agency for Development Cooperation/ØKON, Sept. 1999.

4.2 Selected programmes and projects in Tanzania and Sri Lanka - in brief

This section presents a brief summary of the investigation of the eleven selected individual programmes and projects. As it appears in the overview tables for both countries, the environment was discussed in the preparation phase of all programmes and projects. In three of the projects, reference was made to NORAD's or other institutions' guidelines for integration of environmental concerns.

In Tanzania, environmental impact assessments were done in three of the six projects. For these three projects, NORAD's documentation showed that the environment was mentioned in the project document and appropriation document, but that the environment was mentioned in the agreement for only one of the projects. Documents from the implementation phase dealt with the environmental component in all three projects, but for one project (TAN 0099), project and progress reports failed to mention the environment. The environment was mentioned in the completion document for the only one of these three projects that is completed (TAN 0101). The environmental component was also mentioned in the documentation from the implementation phase of two of the three projects for which no environmental impact assessment had been performed.

Among the selected programmes and projects in Sri Lanka, an environmental impact assessment was performed for only one of the projects (LKA 012), and the environmental component was also discussed in the implementation phase.⁵² For the other programmes and project, environmental matters were barely touched upon in the documentation from the implementation phase.

⁵² This project is an environmental component (purification plant) in a major jointly-financed development project in Bata Atha and is therefore less suited to this type of tabular presentation than the other programmes and projects.

Table 6 Overview table for projects in Tanzania

	TAN 0101 Kihansi (hydro- power plant)	TAN 1093 Chang'ombe (substation)	TAN 0099 Sumbawanga -Mbela (transmission line)	TAN 096 Chalinze -Melela (road)	TAN016 Mweka (road)	TAN0015 Songwe- Tunduma (road)
Preparatory phase						
Is the integration of environmental concerns mentioned as part of preliminary assessments?	Yes	Yes	Yes	Yes	Yes	Yes
Are NORAD's or other institution's guidelines referred to?	Yes	Yes	No	No	No	No
Was an environmental impact assessment performed?	Yes	No	Yes	No ⁵³	No	Yes
Is a reason given for performing/not performing an environmental impact assessment?	Yes	Yes	Yes	Yes	Yes	Yes
Is the environment mentioned in the project document?	Yes	No	Yes	Yes	Yes	Yes
Is the environment dealt with in the appropriation document?	Yes	Yes	Yes	Yes	Yes	Yes
Is the environment dealt with in the agreement? ⁵⁴	Yes	No	No	No	No	No

	<i>TAN 0101</i> Kihansi (hydro- power plant)	<i>TAN 1093</i> Chang’ombe (substation)	<i>TAN 0099</i> Sumbawanga -Mbela (transmission line)	<i>TAN 096</i> Chalinze -Melela (road)	<i>TAN016</i> Mweka (road)	<i>TAN0015</i> Songwe- Tunduma (road)
Implementation phase						
Is the environment dealt with in the contract with the contractor/construction supervisor?	Yes	Yes	Yes	Yes	No	Yes
Is the integration of environmental concerns mentioned in the project/progress reports?	Yes	No	No	Yes	No	-
Is the integration of environmental concerns mentioned in the minutes of annual meetings (if held)?	Yes	-	-	-	-	-
Is the environment mentioned in mid-term reviews or the like?	-	-	-	No	-	Yes
Completion phase						
Is the integration of environmental concerns mentioned in completion document? ⁵⁵	-	-	-	No	-	-
Is the environment mentioned in evaluations?		-	-	-	-	-

Key to the symbols: A dash (-) means that the question is not relevant to the project

⁵³ Although no separate environmental impact assessment was done, the construction supervisor incorporated environmental assessments into the project design.

⁵⁴ Here agreement means the actual agreement with annexes. The project document is also a reference document for the agreement, cf. Article 1, Section 2.

⁵⁵ Although a formal completion document has been prepared only for TAN 096, TAN 1093 and TAN 016 are also concluded.

Table 7 Overview table for programmes and projects in Sri Lanka

	<i>LKA 003 – HIRDEP</i> Rural dev. programme	<i>LKA 015- MONDEP</i> Rural dev. programme	<i>LKA 051- DERBA</i> Rural dev. programme	<i>LKA 014- PDSP</i> Tea plantation	<i>LKA 012- Bata Atha</i> Tannery
Preparatory phase					
Is the integration of environmental concerns mentioned as part of the preliminary assessments?	Yes	Yes	Yes	Yes	Yes
Are NORAD's or other institution's guidelines referred to? ⁵⁶	No	No	Yes	No	Yes
Was an environmental impact assessment performed?	No	No	No	No	Yes
Is a reason given for performing/not performing an environmental impact assessment?	No	No	No	No	Yes
Is the environment mentioned in the project document?	Yes	Yes	Yes	Yes	Yes
Is the environment dealt with in the appropriation document?	Yes	Yes	Yes	Yes	Yes
Is the environment dealt with in the agreement? ⁵⁷	No	No	No	No	Yes
Implementation phase					
Is the environment dealt with in the contract with the contractor(s)?	-	-	-	No	Yes
Is the integration of environmental concerns mentioned in the project/ progress reports?	No	No	No	No	Yes
Is the integration of environmental concerns mentioned in the minutes of annual meetings (if held)?	No	No	No	No	No
Is the environment mentioned in mid-term reviews or the like?	-	-	-	No	-
Completion phase					
Is the integration of environmental concerns mentioned in the completion document?	No	-	-	-	-
Is the environment mentioned in evaluations?	-	-	-	-	-

Key to the symbols: A dash (-) means that the question is not relevant to the programme or project

4.3 Tanzania

In Tanzania, projects in the road and energy sectors were selected for this investigation. The embassy stated that the programme and project cycle management manual and the various other handbooks such as the checklists for the environment are essential management instruments for integrating environmental concerns into the projects and programmes the embassy receives for processing. The executive officer has received training in these matters and is said to have such keen insight into such matters that the person in question can do an independent assessment of whether or not more information is required.

4.3.1 Selected projects in the energy area

The energy sector has been a priority area for Norwegian development cooperation to Tanzania since 1971. Currently, all development cooperation to the power sector in Tanzania is planned, implemented and reported within the framework of the sector programme POWER VI, in which Norway is one of the largest bilateral donors.

The Tanzanian government executive body in the energy sector, Tanzania Electric Supply Authority Limited (TANESCO), was originally founded in 1931 as a private company but was nationalised in 1964. Starting in 2001, a process was begun to restructure TANESCO, in which breaking up and privatising the company are being considered.

In connection with the audit the following three projects in the power sector were reviewed and will be presented in the analysis below: the Lower Kihansi Hydropower Project, the Chang'ombe substation and the Mbala-Sumbawanga transmission line. This last project was the object of a field visit.

4.3.2 Lower Kihansi Hydropower Project

Background

The Lower Kihansi hydropower plant is run-of-river power station located south-west of Dar-es-Salaam. Built on bedrock, the plant has a high head

⁵⁶ LKA 003 and LKA 015 originally began in 1979 and 1984, respectively, before guidelines existed for integrating environmental concerns. Reference is made here to the last agreement period, from 1994 and 1996, respectively.

⁵⁷ Here agreement means the actual agreement with annexes. The project document is also a reference document for the agreement, cf. Article 1, Section 2.

with a reservoir and subterranean power station, in addition to transmission lines, roads and an airstrip, among other facilities. The power plant is located in an area of expansive tropical rainforests that had been little studied for plant and animal life prior to the development of the power plant.

The plant, which was officially opened in July 2000, is the largest single component under the POWER VI Project, and Norway is the largest bilateral donor (giving USD 42 million of a total of USD 265 million). A promise of Norwegian support was made in October 1993 after an invitation from Tanzania and the World Bank. At that time the project had already started. NORAD did not participate in the preliminary assessments.

Organisation

TANESCO is responsible for implementing the project. The consulting firm NORPLAN is supervising construction, is the environmental consultant for the project and is supposed to report on environmental conditions to the Tanzanian authorities.

The donors have joint coordination meetings twice a year and receive quarterly reports on the entire project. In addition, quarterly reports are prepared on the separate environmental components that Norway supports.

Preparatory phase

Kihansi was identified as a possible hydropower project as early as 1984. The World Bank performed an environmental assessment of Kihansi in 1991, which concluded that the project could be implemented. Prior to the decision on possible Norwegian support, a new assessment was done based on the assessments others, especially the World Bank, had done. At the first donor meeting, Norway, along with the other bilateral donors, required that the project document and a new environmental report be submitted and evaluated before an agreement could be signed.

An environmental impact assessment was done by the consulting company NORPLAN in the autumn of 1995. Besides investigations of ecological conditions and biodiversity, the assessment included studies of health, socio-economic and cultural aspects of the project. It was stressed that the project had already come so far that the activities that are normally set in motion in connection with an environmental impact assessment would be of little significance (such as, for example, an assessment of alternatives to the project and individual mitigating measures). The assessment continued with the consequences of the project on the natural and human environments. Erosion and waste were declared to be the most important areas, in addition

to the impacts on the climate in the waterfall area. The report also indicated the discovery of endemic species that live in the spray from the waterfall. Otherwise the project was not considered to involve a serious encroachment on nature.

The Technical Department of NORAD evaluated the project and made it clear that although it was inconceivable to require the same type of background studies as in Norway, the general lack of scientific knowledge about the area's flora and fauna was a problem. The Technical Department concluded that the project, along with the proposed mitigating measures, met the requirements that could reasonably be set in respect of the environment and the local population. However, the recommendation to support the project was given on the condition that TANESCO intensify the collection and analysis of background data to clarify the project's impact on the natural environment.

The appropriation document refers to the environmental impact assessment and recommendation of a careful continued registration of plant and animal life. Protecting the roads against erosion was also emphasised. In addition, it was decided that NORAD would finance three projects in the area of health and the environment, including a management plan for the catchment area and an environmental monitoring project.

The agreement between Norway and Tanzania was signed on 24 November 1995. It specified that the parties were to meet every six months to discuss environmental conditions, among other things. Furthermore there was agreement that quarterly reports on all the components of the programme would be sent to the donors.

Implementation

The minutes of the semi-annual donor meetings show that environmental conditions were discussed as a separate matter, and that they were followed up by NORAD Oslo, including by requesting clarifications regarding the need for an environmental impact assessment of the road to the site, the consequences for the environment in connection with the construction camps and the growth in the vicinity of the project.

In addition, the environment was an important topic between meetings. The environmental adviser on the project contacted NORAD on several occasions to report changes to the construction plans, the environmental impacts thereof and recommendations for mitigating measures. A lack of overall environmental monitoring on the part of the Tanzanian authorities was also pointed out.

In 1997 the Technical Department conducted a site inspection of the area and concluded that the environmental measures were satisfactory, given the limitations associated with a late start. However, it was pointed out that there was significant devastation of the landscape in the construction area, with erosion the likely result. In light of the fact that environmental monitoring by the authorities was not satisfactory, the construction supervisor was praised for excellent internal control.

In January 1998 the construction supervisor notified the embassy that one species of toad and three species of plants had been found that had not been observed in Tanzania previously. As a result of this information, the Technical Department pointed out that both Norway and Tanzania are obligated under the Convention on Biological Diversity and in August 1998 requested a report from the embassy on what had been done in the matter. At the donor meeting in September 1998 it was reported that the species of toad, called the Kihansi spray toad, had been discovered in the zone that is constantly drizzled by the mist from the waterfall. The embassy reported back to NORAD that the point in the environmental contract for maintaining a minimal flow would be one of the most essential points before the plant could begin generating power. At this stage several studies were undertaken to find out whether the toad species was found in other areas.

In August 1999 the construction supervisor sent a recommendation for measures to ensure a minimal flow, a recommendation that TANESCO was critical of: TANESCO claimed that the uniqueness of the ecosystem in Kihansi was exaggerated, and that the recommendation was not in line with Tanzania's own procedures, and it was critical of the fact that the company itself was supposed to bear the costs of the mitigating measures.

In August 2000 a report from the World Bank was made public. It concluded that the unique wetland area was reduced by 95-98 % after test generation began in December 1999. The report claimed that unless steps were taken immediately, the toad species, for example, would face extinction.

Completion

The power plant was officially opened on 10 June 2000, on budget and only six months behind schedule. The health and environment components that Norway funded were reported as satisfactorily carried out, but that the allotment of water rights and measures to protect the toad species had not concluded. The responsibility for other environment and health measures is to be transferred to the Tanzanian authorities.

The embassy summarised that Kihansi is among the best in the world in respect of technology and quality, but that the environmental impact was greater than had been assumed. In December 2000, Norway and Sweden signed an agreement to finance a package of measures totalling NOK 18 million to save the toad species. The measures include artificial sprinkling, further studies of the species and the export of up to 1,000 toads to zoological institutions in the USA. For Norway's part, the amount of NOK 9 million will be covered by funds already appropriated for Kihansi.

4.3.3 Chang'ombe substation

Background

In 1995, the embassy received a request from the Tanzanian authorities for financial assistance for the construction of a substation in Chang'ombe in Dar-es-Salaam, as part of the POWER VI Project. The agreement, totalling up to NOK 30 million, was signed between NORAD and the Tanzanian Ministry of Energy and Minerals in December of 1996. The goal of the project is to improve the economic growth in the area by securing the electricity supply and stabilising the supply of power to industrial and residential areas south-west of the urban core of Dar es Salaam.

Organisation

TANESCO is responsible for implementing the project, whereas the consulting company Norconsult was involved as consultants and ABB Power Generation as supplier.

Preparatory phase

Environmental conditions are mentioned in the appropriation document. It points out that the substation will have a limited adverse environmental impact and that therefore performing a special environmental impact assessment is not necessary. On the contrary, the document argues that the construction of the substation will have a beneficial environmental impact, since the station will help to streamline power distribution and reduce system losses, thereby helping to reduce the need for new power generation. However, the importance is emphasised of ensuring proper emergency preparedness for handling any oil spill and of taking proper consideration of the built-up area near the substation. The document recommends that a Norwegian consultant be engaged to ensure that the technical specifications reflect Norwegian safety and environmental standards to the greatest extent possible.

The recommendations from the Appropriations Committee emphasise that a precondition of the project is that it be implemented to the greatest extent possible within the safety and environmental standards required of a comparable installation in Norway. Neither the agreement nor the project document mention environmental aspects in particular, but the agreement requires the hiring of a consultant. The consultant is to assist TANESCO in project design and implementation.

The contract with the construction supervisor mentions environmental conditions. It stresses that few adverse impacts are expected and these will be limited to a possible oil spill and waste in connection with building the substation. It points out that measures mitigating these can and should be specified in the construction contract.

Implementation

The agreement does not contain separate requirements for regular reporting, even though Tanzania reports on the project through the POWER VI agreement. Nor were annual meetings held. The agreement stipulates only that TANESCO shall provide NORAD with semi-annual reports prepared by the project supplier in accordance with the conditions of the contract. According to project documentation, the embassy also receives Norconsult's quarterly reports, which the executive officer comments on. The environment does not receive special mention in these reports.

Completion

The project was completed in November 1999, and a project summary was presented on 30 March 2001. This document does not comment on environmental conditions.

4.3.4 The Mbala-Sumbawanga transmission line

Background

The project is a 66 kV transmission line between Mbala, Zambia, and Sumbawanga, Tanzania. Sumbawanga is currently being supplied with power from a local diesel generator. The generator is highly polluting and, in addition, will not be able to meet the area's future growing electricity needs. Zambia has surplus production, which is based on hydropower. The formal bilateral agreement was signed between Norway and Tanzania on 12 July 1997. Originally the project was allocated NOK 75 million, but a supplemental appropriation of NOK 18.3 million was made in 2001.

Organisation

TANESCO is responsible for project implementation, the consulting company NOR-ICIL is in charge of building the line, and the consulting company Norconsult is the construction supervisor.

Preparatory phase

In May 1996 funds were appropriated from NORAD for TANESCO for a design and environmental study after a request from the Tanzanian authorities. In connection with the appropriation it was pointed out that in its assessment of the environmental impact of the project, NORAD was to keep to its own guidelines for environmental impact assessments, and the consultant was to be informed about these guidelines.

In August 1996, a full environmental impact assessment was done by an ecologist (from the Sumbawanga area) and a sociologist. Of potential environmental impacts the assessment analyses the moving of houses and ruined harvests in connection with the right-of-way, waste from, and cleanup after, the work camps, soil erosion and the possibility of discoveries of cultural or historical value in connection with the excavation. The environmental impact assessment does not discuss the fate of the existing diesel generator in Sumbawanga that the transmission line is to replace.

The embassy in Dar es Salaam commented on the environmental impact assessment afterwards and believed that it was thorough and dealt with all important matters. The embassy stressed the importance of following up the recommended measures and its belief that this might be best guaranteed by stipulating in the contract the contractor's responsibility in this area. In a fax to the embassy dated 11 May 1998, NORAD stated that the environmental impact assessment did not uncover anything to preclude the project from going ahead. Furthermore, NORAD expected that the report's recommendations would be followed up, and that the project agreement should clearly state that the transmission line right-of-way should be as benign as possible, that compensation should be given in accordance with the applicable laws in the country and that the developer deal with the responsible environmental authorities in Tanzania.

In the mandate for dialogue, NORAD refers to the environmental impact assessment and states that there is no need for further studies. In the appropriation document, the embassy states its belief that the assessment is thorough and recommends it as a basis for implementing the project. The agency points out the importance of the recommended measures being followed up and of stipulating in the contract the contractor's responsibility in this regard.

The tender document, written in September 1998, describes the necessary environmental measures. It concludes that the environment is not to be endangered as a result of the project and indicates specific measures to prevent the excessive felling of trees, erosion, contamination of drinking water and improper waste management. It also specifies how the construction phase is to conclude and how the environment is to be dealt with in this connection.

Implementation

The environmental impact assessment points out a number of areas as potentially problematic, recommending measures to mitigate or prevent them. This concerns, for example, the moving of houses as part of building the line, pollution in connection with project implementation, dealing with discoveries of a cultural nature and possible soil erosion.

Norconsult, in collaboration with TANESCO, was responsible for following up the recommended measures. According to representatives of the populace, residents were compensated for homes that were destroyed and fields that were reduced in size in connection with the building of the line, even if at rates that are low by international standards. The environmental impact assessment's call to establish an open procedure for handling complaints was followed up. Pollution from construction was also kept under control. Since local labour was used to a large extent, work camps were avoided.

In one area, follow-up was not in keeping with the recommendations. This applies to soil erosion around the pylons and along short stretches of the construction road, which the environmental impact assessment pointed out as a potential problem. Due to delays, construction partly coincided with the rainy season, which created relatively serious erosion in some places.

What the environmental impact assessment does not discuss is the fate of the existing generator in Sumbawanga. Although it will have to be shut down properly, it is unclear whether TANESCO will assume this responsibility in an effective manner. Large, visible oil spillages were observed on a field visit in October 2001, and Norconsult was able to report oil-saturated soil several meters down into the ground. This constitutes a real risk of contaminating local drinking water.

The environmental impact assessment states that a decline in households' use of coal is expected as a result of the project. This assertion was questioned both by Norconsult and by representatives of the Ministry of Energy: first, since electricity is still expensive, people will not change over to using this energy source exclusively even though they now have better access to it. In

addition, since electrical appliances represent an investment far beyond the means of most area households, no increased use of electricity will be observed due to appliances. The area around Dar es Salaam is mentioned as an example: here there is an ample supply of electricity, yet coal is used in 85 per cent of households.

Annual meetings between the embassy and recipients were not considered necessary, since this is a relatively small-scale project of just a few years' duration. Instead, the embassy sent out a staff member on a reconnaissance mission approx. every six months and in this way monitored the project. The reports from these missions do not comment on the environmental aspects of the project. In November 2001 the project was still not completed, but this was expected to happen within a few months.

4.3.5 Selected projects in the road sector

Norwegian development cooperation to the road sector in Tanzania began in 1972. In the period 1991–1997 Norway supported an integrated road programme (IRP) with a number of bilateral and multilateral donors that focused on building institutions through institutional cooperation with the Norwegian Public Roads Administration. In June 2000, TanRoads was set up, partly with Norwegian funding, as a highways directorate under the Ministry of Works. The expectation is that TanRoads will provide for better maintenance of the road network, for example, through the establishment of a fund earmarked for highway maintenance. Three projects were selected for this investigation: repair work on the Chalinze-Melela section of the Tanzam Highway, rehabilitation of the Mweka Road and the rehabilitation of the Songwe-Tunduma section of the Tanzam Highway. The last project was the object of a field visit.

4.3.6 Repair work on the Chalinze-Melela section of the Tanzam Highway

Background

In 1996 the Tanzanian Ministry of Finance asked Norway to consider financing necessary repair work and appurtenant consulting services for the section of highway between Chalinze and Melela. The stretch of road is part of the Tanzam Highway, which is a priority highway in the IRP. The repair postponed the need for full rehabilitation by approx. five years and had a goal of contributing to economic development through the establishment of a road network within the framework of the IRP.⁵⁸ The agreement between Norway and Tanzania was signed in December 1996, and a total of NOK 53 million was appropriated.

⁵⁸ Cf. Appropriation Board, page 5. During a field visit in 2001, it was observed that Tanzania now, with Danish funding, is doing a full rehabilitation of this segment of highway.

Organisation

The implementing institution (builder) was the Tanzanian Ministry of Works, whereas the consulting company NOREMCO carried out the physical maintenance work and Norconsult was responsible for project design and construction supervision and for preparing progress reports.

Preparatory phase

The appropriation document states that the consultant (Norconsult) assessed the environmental impact of the project and included a number of measures to counteract adverse impacts. Among matters evaluated are protection of the landscape, preservation of vegetation, prevention of water, air, dust and noise pollution, preservation of historical and archaeological finds/data, use of pesticides, waste management, cleanup and rubbish handling. Traffic safety is described separately. In the contract documents that regulate relations and task assignments between Norconsult and NOREMCO, these matters are incorporated into the agreement.

Implementation phase

The initial monthly reports, from March to September 1997, do not mention the environment. An internal audit at NORAD under the auspices of the agency's Environmental Affairs Project stated that environmental aspects must be followed up and reported on, to confirm that environmental concerns are being addressed. Subsequently a letter was sent from the embassy to the Tanzanian Ministry of Works, requesting a separate chapter in the reports on the environmental aspects of the project. In all monthly progress reports after November 1997, the handling of environmental issues and environmental challenges are documented. An independent consultant was hired to review the project in March 1998. Environmental matters were not commented on, since the focus was on project delays.

Completion

A draft completion document was prepared by NORAD in January 1999. In November of the same year, Tanzania was requested to prepare a final report, accounts and audit and given a tight deadline. None of these documents mentions the environment.

4.3.7 Rehabilitation of the Mweka Road

Background

In October 1998 the Tanzanian Ministry of Finance asked Norway for funding for rehabilitating a ten-kilometre-long section of highway in the Kilimanjaro region. The highway serves a very densely populated area where intensive agriculture is practised. It is also an important road leading to Mt. Kilimanjaro, an important tourist attraction. On 14 September 1999 Tanzania and Norway signed an agreement to spend a total of NOK 10 million on the project. The goal of the project is to assist Tanzania in its efforts to establish a road structure of good quality conducive to efficient use and improved traffic safety.

Organisation

The implementing institution was the Tanzanian Ministry of Works. The institution carrying out the project was Victoria Barabara (T) Ltd, and a contact was signed with Norconsult for construction supervision and consulting in connection with project implementation.

Preparatory phase

The mandate for dialogue comments on the issue of erosion. The assessment of the project points to the fact that an independent firm was engaged by NORAD to consider technical alternatives to the project. Among other issues, erosion and water runoff techniques were discussed.

The appropriation document discusses the environmental aspects of the project in relative detail, mentioning erosion especially. It otherwise states that the project is assumed not to have an increased adverse impact on the natural environment and that the area already bears the marks of human activity. One reason that the project was not subjected to an environmental impact assessment was that the embassy doubted such an assessment was needed, since the project involved an improvement of an existing road. Traffic safety is also mentioned.

Implementation phase

The agreement states that the embassy is to be kept current on all project meetings and that quarterly reports are to be submitted during the implementation phase. In addition, Norconsult briefed the embassy with monthly progress reports. In this case the embassy believed that these were a sufficient alternative to quarterly reports. The environment is not mentioned in particular in these reports.

Completion

In the embassy's evaluation of the final progress report in January 2000, the project is judged to be completed satisfactorily. A site inspection was done by the executive officer, who reported that the road looked good and that the authorities and users were very pleased. The environment is not mentioned.

4.3.8 Rehabilitation of the Songwe-Tunduma section of the Tanzam Highway

Background

This project involved the full rehabilitation and improvement of the existing section of highway of approx. 70 km between Songwe and Tunduma in the Mbeya district. This section is a part of the highway going from Dar es Salaam into Zambia. The road is crucial for traffic and trade between East Africa and southern Africa, particularly between Tanzania and Zambia. The agreement for NOK 167 million in development cooperation for this project was formally signed on 13 August 2001 between NORAD and the Tanzanian authorities.

Organisation

The Tanzanian Ministry of Works had the responsibility for carrying out the project, with TanRoads as the executive body. Norconsult was the construction supervisor, whereas a Chinese company performed the actual rehabilitation work.

Preparatory phase

In August 1996 a contract was signed between the Ministry of Works and Norconsult to perform environmental assessments as an integrated part of a design and feasibility study. The terms of reference, which was approved by both the Ministry of Works and NORAD, directs the consultant to recommend suitable solutions to minimise undesired environmental effects resulting from the project (both in the design and in the actual construction work), basing this work on Tanzanian and internationally recognised criteria.

The environmental impact assessment was done in early summer 1997 and was subsequently integrated into Norconsult's design and feasibility study. The study reviewed the recommendations of the environmental impact assessment that were included in the project's actual design. The environmental impact assessment stresses traffic safety as the most significant environmental impact. In addition, the report points out the risk of polluting village wells if there is erosion damage during and after the project's construction phase, unnecessary encroachments in connection with

excavating fill and handling the relocation of households in Tunduma. For all of these and many more areas, the environmental impact assessment recommends specific follow-up measures. The report is especially concerned with ensuring that the needs and wishes of the local population are heard, not least in the area of traffic safety.

In its appraisal of the environmental impact assessment, NORAD points out that it views the project as an example of proper procedure, since the environmental impact was reported on already at the mandate stage, and the assessment is relatively ambitious and more comprehensive than would have been required in Norway at a corresponding level.

The recommendations of the environmental impact assessment were reflected for the most part in the rest of the design and feasibility study and in the project agreement between NORAD and the Ministry of Works. For example, in the autumn of 1999 NORAD stressed that the Ministry of Works, Norconsult and the embassy had to evaluate the recommendations of the environmental impact assessment and ensure that they were incorporated into the tender documents and reporting. NORAD also stressed the importance of involving the local population at the planning stage and during construction. In the design study, all matters mentioned by the environmental impact assessment were reviewed and incorporated into the programme. This pertains to erosion, drainage and traffic safety measures, among others. In conversations with representatives of NORAD, the Ministry of Works, TanRoads and Norconsult it was expressed that both NORAD and the Ministry of Works wanted a solid job from an environmental standpoint on the project. The Ministry of Works stated that in recent years it has established a standard approach to environmental impact assessments in the road sector and that this approach follows international guidelines. The ministry has done this, even though Tanzania still lacks legislation in this area. The information from the Ministry of Works was confirmed in conversations with the representative of TanRoads in Mbeya. In this connection it may be mentioned that the person at TanRoads responsible for the project claimed to the Office of the Auditor General that nearly all of the recommendations of the environmental impact assessment will be included in the design study anyway, independently of the environmental impact assessment. The same was said at the Ministry of Works in Dar es Salaam and by Norconsult there. It was stated that this mostly involved established sound engineering practice.

Implementation

The environmental impact assessment is followed up in the tender and contract documentation issued by the Ministry of Works to the project contractor. Norconsult, as project construction supervisor, has the chief responsibility for the contractor adhering in practice to the obligations in the contract specifications. In addition, environmental and road safety issues were part of the terms of reference for a consultant who on behalf of NORAD was to oversee the implementation of the project. This description states that environmental aspects and other matters the consultant deemed important are to be followed up, and a preliminary plan was presented for three project visits. The first visit took place in August 2001.

The actual work of improving the road has not yet begun. However, the project area was visited in October 2001, and TanRoads' local representative showed the Office of the Auditor General the section of highway as well as the area where the fill would be taken from. A report prepared by the independent consultant in August 2001 states that the environment is primary concern of NORAD. The report concludes that environmental aspects are properly addressed in the project document and that they will be followed up further at the next visit.

4.4 Sri Lanka

From the beginning, the bilateral cooperation between Norway and Sri Lanka has concentrated on large-scale and long-term integrated rural development programmes (IRDPs). Even though these are programme-oriented activities, the embassy considers them project development cooperation and not sector programmes.⁵⁹ Since the 1970s, the rural development programmes, of which there were sixteen as of 1996, have covered a total of fifteen counties and have been financed by a number of donors, including Norway, Sweden, Finland, Germany and multilateral organisations such as UNICEF, the Asian Development Bank and the World Bank.⁶⁰

The programmes are intersectoral, covering such activities as education, health and sanitation, irrigation systems, road construction, loan schemes and training. The goal is to give the rural population access to services and improve its standard of living. In the 1990s the Sri Lankan authorities wanted to concentrate activities more on economic development and

⁵⁹ Royal Norwegian Embassy in Colombo, Sri Lanka: Annual performance plan for 2001, p.16.

⁶⁰ Source: Ministry of Plan Implementation, Ethnic Affairs and National Integration: Some thoughts for a regional rural economic advancement programme. A concept paper. 3 December 1996.

employment. This is because satisfactory results were not attained in these areas as well as because Sri Lanka has gradually introduced its own nationwide poverty-reduction programme (*Samurdhi*). The new programme model was dubbed the Regional Economic Advancement Programme (REAP). Over the past twenty years, NORAD has funded programmes in three districts: Hambantota, Moneragula and Batticaloa. The Hambantota programme has concluded. In the other two a changeover has begun from IRDP to REAP.

The embassy stated that it is familiar with NORAD's guidelines for integrating environmental concerns and for these to be used in all relevant projects. Projects intended to bring about peace and reconciliation and the improvement of human rights are considered by the embassy as not relevant in this regard. There is no practice of referring to these guidelines (booklets) when doing an evaluation of environmental concerns and "ticking them off". The embassy stresses the importance of the Sri Lankan authorities themselves formulating guidelines for the environment and reporting on the environmental impacts of projects they want financed by Norway, in keeping with the desire for recipient responsibility. A review of files was performed of all three programmes, whereas two other projects, a tannery and housing construction for tea plantation workers, were also the object of a field visit.

4.4.1 Hambantota Integrated Rural Development Programme (HIRDEP)

Background

The first agreement to fund a rural development programme in Hambantota was signed in 1979, and up until 1994, Norway supported the programme with NOK 185 million. An evaluation of the programme performed in 1991 concluded that the programme had been an overwhelming success. Small-scale irrigation systems, coastal fisheries and improved access to drinking water, education and health services were highlighted in particular.

The most recent agreement was signed in December 1994, with an appropriation of NOK 40 million for the period 1995–1999. Besides NORAD, the Sri Lankan government also contributes funding. The goal is to help bring about sustainable economic and social development in Hambantota so that structures and processes will continue after NORAD's support ends. Irrigation systems, institutional development, settlement and village development are the sectors allocated the most funding, with a total of 70 %. The environment is listed with 2.5 % of the total budget. These projects include reforestation, forest management and education.

Organisation

Responsible for implementation is the Ministry of Finance, Planning, Ethnic Affairs and National Integration. NORAD and the ministry have held annual meetings to review the programme, evaluate set priorities and approve projects, work plans and the budget for the coming year. In 1995, the embassy informed NORAD it had waived its right to full participation in the appraisal and approval of project documents. Its participation would be limited to giving approval in principle to project outlines at the annual meeting. During the same year the embassy requested Sri Lankan authorities that reporting be done on the programme level and not for each project activity.

Preparatory phase

NORAD's appraisal of the programme states that the environment is to have the same priority as in previous agreements, but that instead of investing in new projects, environmental concerns are to be integrated into all relevant activities. It emphasises that this must be enshrined in the project document. Otherwise the discussion of the environment in the planning documents is reported to be satisfactory without further justification.

The appropriation document stresses that as a paramount objective of Norwegian development cooperation, the environment is to be given weight in the latest agreement period and that environmental concerns are to be integrated into all relevant activities.

Implementation

The review of the documents from annual meetings in the period 1993–1999⁶¹ showed that the processing of new projects included activities such as shrimp farming, fishing, livestock raising, farming and irrigation systems.

It does not appear in any of the documents whether or not environmental concerns were integrated. The project presentations showed that sustainability was to be accounted for according to the following division: assets, institutional sustainability and social sustainability. There is no separate category for the environment. From 1997 the programme began to be phased out. The goals include developing local resources in an ecologically sustainable manner. There are no references to the environment in this phase either.

⁶¹ Terms of reference for the annual meetings, minutes of the annual meetings and project outlines sent to the embassy.

Completion

The results of the programme appear in a report from 1997. Among the results that involved new infrastructure are 32 000 latrines, 25 new irrigation systems, 260 rehabilitated irrigation systems, over 30 000 plots for various agricultural projects, 36 major roads, 409 rural roads, 145 schools and 80 libraries. However, this report does not state whether environmental concerns were addressed in these projects.

The documentation throughout the entire period is extensive, attaching great importance to institutional sustainability. A report from 1998 written by an outside consultant praises NORAD for its contributions to HIRDEP (and MONDEP) and concludes that the Norwegian “hands-off”-approach resulted in a high degree of Sri Lankan ownership of the programmes.

A review of the programme is planned, but in the terms of reference from 2000 there are no references to the environment.

4.4.2 Moneragala Integrated Rural Development Programme (MONDEP)

Background

Moneragala is an agricultural area in south-east Sri Lanka in Uva province. Norway signed the first agreement with the Sri Lankan authorities to fund the rural development programme MONDEP in 1984. Up until 1995, a total of NOK 108 million was appropriated for this programme through this agreement and a supplementary agreement from 1989. An evaluation of the programme in 1994–95 recommended a continuation at the same level, but with some changes in approach and strategy.⁶² The programme’s first phase financed more than 200 projects. The evaluation recommended cutting the number of projects in phase two. As many as 72 had not been completed by the end of the first phase. The agreement for the current phase was signed on 5 December 1996, with a total budget of NOK 60 million in the period 1997–2003.

One goal of the programme is a significant increase in economic opportunities and a better standard of living for the population as a whole and for groups and especially individuals at risk. Another is to ensure that the residents of the target group areas have access to basic public services.

⁶² Source: Michael York Smith: Appraisal Report. LKA 015 – MONDEP. Request for a second phase. Colombo, 12 December 1996.

Among the expected results listed are strengthened local institutions, improved systems for enhancing the capacity of the private sector and the introduction of procedures for local participation.

In the changeover of MONDEP from an IRDP to a REAP in 2001, the Sri Lankan authorities attach great importance in their strategy to the region's ecological aspects with its three different climatic zones, extensive available land and dispersed settlement.⁶³ The objective of the new programme's profile includes positioning Moneragala as the "greenest region in South Asia, with eco-friendly investments in agriculture and industry". According to the strategy, the region's comparative advantages lie in its size, low population density and varied ecology. Among proposed projects are the production of pesticide-free agricultural products, pond installations for inland fishing, eco-tourism, the establishment of eco-parks and reforestation. In its comments on the plan NORAD expressed doubts that the plan was realistic, but supported the intentions behind it.

Organisation

The Sri Lankan government is responsible for implementing the programme through the Ministry of Plan Implementation and its subordinate regional office. A project office is responsible for quality assurance and coordination of, and reporting on, all activities initiated under the programme. Annual work plans are to be sent to the ministry and embassy for approval. If necessary, the embassy is to be able to consult NORAD in Oslo before giving its approval. Other than this the role of NORAD will be concentrated on follow-ups in connection with annual meetings.

Preparatory phase

The minutes from the Appropriations Committee in 1996⁶⁴ made it clear that "addressing environmental concerns will continue to be a precondition for approval of individual projects". The appropriation document mentions the environment, stating that environmental concerns are to be addressed in the formulation, evaluation, implementation and monitoring of all relevant activities. According to the document, the programme is not involved in activities posing a high environmental risk. The embassy also supplies earmarked funding to environmental projects in the region.

⁶³ The Ministry of Plan Implementation and Parliamentary Affairs: Reformulation of MONDEP into Regional Economic Advancement Programme (REAP). Final report. Colombo, May 2001.

⁶⁴ Appropriation Document/Appropriations Committee 25/96.

Implementation

The requirement to address environmental concerns is not enshrined in the agreement or referred to in the documents reviewed from the contractual annual meetings. In the documentation from the terms of reference and minutes from the annual meetings in the period 1997–2001, environmental concerns are not mentioned by the embassy or the Sri Lankan government with regard to either planning or reporting.

In the documentation the projects are classified as training, planning and studies of projects for area development. There is a separate category called agriculture and the environment and one for loans and income-generating activities.

A review of the projects presented to the embassy for the years 1998–2000 (10 new ones each year, in addition to the 30–40 ongoing projects) showed that many were aimed at income-generating activities and training, especially relating to agriculture. This also includes projects for improving irrigation systems and for cultivated land and house construction. The size of each project vis-à-vis the target group did not appear in the documentation. This involves approx. NOK 10 million annually. Nowhere is it indicated that assessments of environmental concerns were made.

The reports for 1999 and 2000 describe the completion of projects for reforestation, irrigation systems, construction of public buildings, dwellings, toilets and latrines (30–200 for each village), roads, new acreage for farming, fish ponds, wells and animal husbandry. There were also projects for training, institution building and education etc.

Several of the projects are reported to have a beneficial effect on sanitary conditions, erosion, the supply of clean water and other positive environmental impacts. No mention is made of assessments of environmental concerns in projects involving irrigation, agriculture or house construction.

The remarks largely relate to the lack of progress and the termination of projects, especially when due to a lack of expertise and high turnover of personnel, which is presented as a major problem for this region.

4.4.3 Development and Rehabilitation Programme for Batticaloa District (DERBA)

Background

Batticaloa is a district in eastern Sri Lanka, which during the years of armed conflict was marked by great unrest. The conflict has caused severe environmental problems involving deforestation and limited access to coastal and lagoon areas, which besides growing rice are the district's chief resources. An agreement between Sri Lanka and Norway was signed in 1997, with a total budget of NOK 60 million over six years. It succeeded an earlier agreement for a rural development programme (BIRRP) in the same area in the period 1989–97 totalling NOK 69 million.

The goal of the new programme is to initiate a sustainable development process in the area that raises the local standard of living. The programme's key components are reconstruction after the hostilities, village development, economic infrastructure (irrigation, roads and bridges), the development of the productive sector (agriculture, fishing, forestry, small-scale industry and the environment) and income-generating activities. According to the agreement, the goal is to be achieved without environmental degradation.

Organisation

The programme is organised with the Ministry of Planning as responsible agency, with authority delegated to the North-East Provincial Council and the project office located in Batticaloa. According to the plan, project proposals are to begin at the village level and be processed via sub-offices and the project offices by provincial officials and at annual meetings with NORAD before final approval. Approval is granted by the responsible department in Sri Lanka, with the approval document sent to NORAD for information only.

Preparatory phase

In its assessment of the project document prior to the signing of the agreement,⁶⁵ the embassy emphasises that the activities require an integrated environmental approach. Among the projects in the programme are the completion of a plan for the lagoon in the district and the creation of the strategic overall environmental plan⁶⁶ for Batticaloa early in the project

⁶⁵ Appropriation Document. LKA – (DERBA). Royal Norwegian Embassy, Colombo. Approved by the Director General of the Norwegian Agency for Development Cooperation, 16 June 1997.

⁶⁶ *"A strategic plan for overall environmental development in Batticaloa"*.

cycle. According to the document from the embassy, this plan is also to include a plan of action for the issues requiring immediate follow-up. The document also emphasises that it will obligatory to perform environmental impact assessments of the components of the programme according to guidelines to be specified further. It is not stated whether different requirements are set for reconstruction projects than for development projects.

The Technical Department of NORAD was consulted along the way and recommended that the project document for DERBA contain a requirement that each component should be assessed for environmental impacts. In the report, the embassy confirms that the Sri Lankan department later incorporated this satisfactorily.

The appropriation document of 20 June 1997 stresses that the programme is to integrate the environment into the programme on an ongoing basis, and that an environmental plan for Batticaloa is to be prepared. The document also confirms that the final project documents are to be submitted to NORAD for information, but that project proposals are to be submitted as outlines for approval at annual meetings. NORAD is to exercise its oversight function partly in connection with approving project outlines, partly in subsequent monitoring of the reporting presented at the annual meeting. This is also enshrined in the agreement.⁶⁷

Later the same year, the programme's Sri Lankan administration sent to the project office in Batticaloa responsible for the reconstruction aspect guidelines for preparing project documents under the programme, including a checklist for environmental assessments. The environmental checklist is based on NORAD's preliminary risk analysis booklet for urban and village development and recommends that the following matters be assessed for reconstruction and development projects alike: water pollution, air pollution, coastal pollution, deterioration of the soil and land areas, waste, ground water, flora and fauna, wetlands, health, relocation of populations, cultural heritage, the landscape and traffic density.

Implementation

A review of the documents for the embassy's appraisal of projects and follow-up of DERBA for the period 1997–2001 uncovered no references to the environment.⁶⁸ Nor did the documents mention the environmental plan

⁶⁷ Dated 10 October 1997.

⁶⁸ Mandate for dialogue or minutes of annual meetings for DERBA for 1998, 1999, 2000 and 2001.

for Batticaloa discussed above. The work plans were presented to the embassy in accordance with the agreement. By way of introduction, the programme administration states that all project proposals are evaluated and approved by the respective authorities and fulfil the set requirements. This process is not described in further detail. In the description of the district, environmental degradation is accorded great importance, both to the aforementioned lagoon and for the problem of deforestation resulting from military action.

The project outlines submitted to the embassy include rehabilitation of irrigation systems for rice paddies, house construction, water and sanitary facilities, agriculture and digging wells.⁶⁹ The environment is not mentioned in the justification for any of the projects. The embassy later received the Sri Lankan ministry's own evaluations, in which the environment receives favourable mention in connection with the irrigation systems that result in better water utilisation. Otherwise the environment is not discussed. The embassy was also sent the minutes of project meetings at which the status of the projects was discussed and reported on for 1998. The environment is not mentioned in these documents.

All projects are presented according to a template and have a separate section for sustainability. This section is supposed to address institutional, economic, environmental and socio-cultural sustainability. Overwhelmingly, it is instructional and economic sustainability that are discussed.

The embassy reported that it is difficult to verify whether the environmental guidelines are actually being followed within each component, as this is the responsibility of the Sri Lankan authorities in connection with approving project proposals. A certain level of supervision is possible with the aid of field visits and a dialogue with the recipient. The documentation indicates that the embassy has been concentrating this oversight on other (and important) issues. However, the entire programme was reported as having the environment as a significant policy objective in OECD/DAC statistics.

4.4.4 Better living conditions for plantation workers

Background

During the colonial period, the tea plantations recruited workers from among Indian Tamils, who traditionally lived on the grounds of the plantation areas

⁶⁹ The project ideas in the work plan do not quite coincide with the overview reproduced in the minutes of the annual meetings. It is therefore possible that not all projects were included and reviewed.

where they worked. They have had very little contact with the rest of Sri Lankan society and limited rights as Sri Lankan citizens. Traditionally, the workers lived in barracks, i.e. very simple dwellings in settlements that are often isolated from villages, towns and other rural communities and owned by the plantation companies.

The Sri Lankan authorities have wanted to promote settlements of owner-occupied dwellings, whose inhabitants can either work on the plantations or anywhere else, according to their skills and preferences. Along with the employers and labour unions, the authorities established in 1992 a tripartite organisation: the Plantation Housing and Social Welfare Trust (PHSWT), with a mandate to improve the quality of life of plantation workers and their families by improving their housing, welfare and health. In 1997 a more comprehensive programme was established, called the Plantation Development Support Programme (PDSP). Its budget is approx. NOK 260 million, of which the Netherlands and Norway cover half (2/3 of this from the Netherlands and 1/3 from Norway). The rest is divided among the local communities themselves, the tea companies, the banking sector and the government.

The goals of the PDSP are to fund the construction of settlements for plantation communities to provide adequate living conditions, improve the health of the plantation community and improve working conditions and relations between plantation owners and plantation workers. New construction and rehabilitation of housing constitutes the largest expense in the programme.

Organisation

The Ministry of Public Administration, Interior and Plantation Industries is the responsible authority. The tripartite organisation PHSWT carries out the programme.

Preparatory phase

The environment is not mentioned in the original programme proposals. The only exception is in a project proposal for one of the earlier welfare programmes (Social Welfare Programme III), which the embassy evaluated in March 1997. In it the Sri Lankan Department of Planning includes an “Environmental Check List”, which lists in tabular form various types of possible environmental impact as well as whether the project has beneficial, adverse or no impacts in these categories. Aside from water pollution (beneficial impact of the project because of the latrines) and health impacts on the population (beneficial) the project was judged not to have any impact

on the natural environment. The PHSWT stated that the authorities did not require an environmental impact assessment for this project. All plans had to be approved by the proper authorities, but no formal assessment was done. Neither the tea companies nor the PHSWT did separate environmental impact assessments in connection with the project, either.

NORAD's appraisal of the programme proposal from October 1997 states that since the project involves social, human and institutional development, it does not have a particular impact on the natural environment. However, it is said to have incorporated several eco-friendly activities, such as improved wood-burning furnaces and health information services. Beyond this, there is no mention or assessment of environmental impacts by either NORAD or the embassy. Conversations at the embassy confirmed this: environmental assessments did not come up as a topic in connection with this project.

Implementation

There is no mention of the environment in the documentation from the implementation phase. In autumn 2001, a mid-term review was done. It indicates that the plantation companies did not prepare the settlement plans as they agreed to do, for how and where plantations workers could be housed on the plantations, what kind of physical services they required and who was to provide these services. As a result of this, settlements were sprouting up without coordination or consistency. The programme made a recommendation for an improved planning system.

The audit did not find any indication of environmental degradation as a result of the project. The institution carrying it out took the recommendations from the mid-term review into consideration in its subsequent activities.

4.4.5 Leather industry in Hambantota

Background

The leather industry in Sri Lanka has traditionally been located in residential areas of the capital, Colombo. The environmental problems, in the form of foul odours, chemical contamination of water and large quantities of solid waste, are serious. The Central Environmental Authority has temporarily frozen activity in the tanneries in Colombo at the 1991 level, due to all of the environmental problems connected with the industry.

The authorities wish to solve the environmental problems in Colombo by relocating the tanneries to a common area in Hambantota. Fourteen of a total

of seventeen tanneries are expected to relocate there. As a part of the relocation, a purification plant is to be built and shared by all tanneries in the new area.

Among the project objectives is increased production capacity for the leather industry because of the environmental licences that enable producers to grow from the 1991 level imposed on them, increased employment opportunities in Hambantota and a growth in export volume for the country. The agreement with the Sri Lankan government is dated 7 December 1998.

NORAD is funding the purification plant component. However, the investigation addressed the environmental aspects of the entire project, and not only the component funded by NORAD. The investigation included a field visit.

Organisation

The project is primarily run by three agencies: The UN organisations UNDP and UNIDO and the Sri Lankan Ministry of Constitutional Affairs and Industrial Development. Whereas UNDP is the main sponsor, UNIDO and the ministry are responsible for the actual implementation. The government of Sri Lanka and the Sri Lanka Association of Tanners (SLAT) also contribute financially to the project. UNDP, UNIDO and the ministry are to have an annual tripartite meeting. NORAD was also invited to the first meeting in November 2000.

Preparatory phase

An environmental impact assessment was done by an Argentine consulting firm in June 1996 and formed the basis for the Central Environmental Authority's approval of the project. Among other things it set requirements for the release of wastewater, but it was not until a later time that the Central Environmental Authority pushed for the building of the shared purification plant that NORAD is now partially funding.

In its introduction, the environmental impact assessment provides an overview of the laws and regulations that may apply to the project in addition the Central Environmental Authority's requirements. Then it reviews the project, discussing alternative sites and alternative solutions for the various functions. A separate chapter provides an overview of the environmental conditions in and around the project area. Although it pays particular attention to the water supply and wastewater, it also discusses the population and socio-economic conditions. Another chapter discusses the project's assumed effects on the environment and possible mitigating

measures. This chapter also describes a plan for a monitoring programme for both the construction phase and for day-to-day operations. The assessment concludes with a financial analysis of the environmental measures discussed and a summary of its recommendations.

The environmental assessment points out that tanneries are known for foul odours and polluted wastewater. Thus, the project may have a considerable impact on the local aquatic environment. However, with the proper measures and proper monitoring of compliance with them, the conclusion is that unwanted environmental impacts can be minimised, while the project will yield great benefits to the local population. The measures referred to primarily involve recovering chromium and purifying wastewater. To reduce the problem of odours the assessment recommends planting trees around the entire complex. The environmental impact assessment recommends using eco-friendly techniques during the construction phase, with a particular emphasis on controlling runoff and preventing sedimentation. In addition to measures for wastewater, the assessment pays special attention to solid waste (most of which will be transformed into saleable products). According to the environmental impact assessment, the only acceptable source of water is a nearby saltwater lagoon (Kalmatyia Lagoon), where 41 species of fish and 98 species of reptiles have been shown to exist. In 1939 the area was declared a bird sanctuary. It was reported that the authorities dealt with this topic early in the process. The Central Environmental Authority has set requirements on the amount of water that can be piped out and on the location of the water intakes. The chemist who is employed by the project is already testing the quality of the water in the lagoon and in the ground in the area, in order to document the present quality as a basis for comparison in the event of complaints when tanning activities are under way.

The embassy's assessment of the tannery project (done by an outside consultant) reviews both the main features of the project and the technical details in the programme for the purification plant. However, the environmental assessments are limited to the technical matters discussed in the project document, and the report makes it clear that it is not discussing all of the environmental impacts connected with the leather industry or with the operation of a purification plant. Although the conclusions are positive, the report points out a number of specifications that have to be evaluated further. The embassy therefore requested a meeting with the Ministry of Finance and Planning to discuss these specifications in more detail. In a letter dated 23 October 1998 the ministry gave its response, based on an expert assessment carried out by UNIDO.

The appropriation document from November 1998 points out that the project will protect the environment, while facilitating growth in the leather industry and helping to increase employment and incomes. The actual agreement with the government of Sri Lanka, dated 7 December 1998, repeats a similar formulation as the only explicit mention of the environment.

The local Chamber of Commerce in Hambantota reported that the local community had been involved in project development⁷⁰: When the idea of the tannery was first broached, opposition was relatively high, especially among the fishermen, who feared that fishing would suffer from polluted wastewater. To explain the beneficial consequences of the project and inform the local populace on how adverse impacts would be handled, the Chamber of Commerce organised a seminar in 1998, with a subsequent seminar being planned. The Chamber of Commerce has also acted as an intermediary between the local population and project management in dealing with complaints. There is no longer any opposition to the project worth mentioning. It was also pointed out that the local authorities find it in their own interest to protect the natural environment, since eco-tourism is important for the area.

No evaluation was done of the need for a zoning plan for the area surrounding the tanneries. Project management expressed concern that dwellings or smaller enterprises might be erected on the adjacent site, which could then lead to complaints about odours or the like. The embassy stated that its assessment was that the estimated 200–300 workers that moved there would not mean enough to warrant separate measures. It disregarded the possibility that local labour and smaller enterprises will try to establish themselves closer to the project. The embassy also pointed out that NORAD has supported the work on an overall environmental plan for the entire area, and that Sri Lanka has laws and regulations for managing land use. Thus, the embassy believes that it is the authorities' responsibility to enforce such laws and regulations.

Implementation

Work began in autumn 2001. Conversations with project management revealed that the ministry signed a contract with an independent company to manage and supervise the project in the design and construction phase. In accordance with the environmental impact assessment, an environmental inspector was hired during the construction phase, who keeps a daily log and issues weekly reports that are discussed at the construction meetings.

⁷⁰ The Chamber of Commerce is an organisation founded by the government and foreign aid donors to promote industrial development in the district. It is financed by providing services to projects.

The environmental impact assessment attaches particular importance to measures addressing the migration of labour to the area during the construction phase, among other reasons to protect the local population from infectious diseases. However, the project management stated that nearly all labour was recruited locally. A programme for improved handling of raw hides lies dormant because of a lack of financing. Measures to reduce the use of salt are essential for being able to use the purified wastewater for irrigation, a long-term requirement.

The environment is not mentioned in the minutes of the annual reporting meetings. Institutional sustainability, however, receives a great deal of attention.

4.5 NORAD's new guidelines for integrating environmental concerns

In April 2002, NORAD published a new manual for development cooperation⁷¹. This new manual replaces the programme and project cycle management manual that was the basis of this investigation and like the previous one, is supposed to spell out the obligations of NORAD and of the recipient in development cooperation, including in respect of integrating environmental concerns. The new guidelines attach more importance to programme cooperation than the previous manual, which focused on projects.

In its introduction, the manual refers to a number of supplementary documents or handbooks, in the same way as the previous one. Unlike that one, however, the new manual does not refer to any new supplementary handbook on environmental assessments. Just like the previous manual, the new manual refers to the checklists for six sustainability areas, among them, the environment. The reference to these checklists and the recommendation to seek environmental expertise has been removed under “mandate for dialogue”, but is specified under “appraisal phase”.

Environmental aspects are listed as an item in the template for the appraisal report, but there are no references to, or listing of, the environment in the description of how to prepare the agreement document or the project summary to be annexed.

⁷¹ Norwegian Agency for Development Cooperation: *NORAD's Development Cooperation Manual (Who does what when)*. 24 January 2002.

5 The auditors' judgements

5.1 Orientation of environmental assistance

The audit revealed that appropriations for environmental assistance were at a high level in the period 1998 to 2000. In 2000, nearly NOK 1.2 billion, or approx. 11 % of all development cooperation, was spent on environmental assistance. Measured as a percentage of the total amount, this implies a slight decline from 1998. In respect of development cooperation channelled through NORAD, however, the share classified as environmental grew by 7 percentage points in the same period. In 2000, about three-fourths of environmental assistance was given as bilateral development cooperation via NORAD.

Of Norway's priority partner countries, Mozambique, Tanzania, Zambia and Ethiopia received the most (bilateral) development cooperation in all in 2000. Along with Sri Lanka, it is also these countries that have received the most development cooperation classified with environmental objectives in NORAD's project database.

In the Storting's treatment of Report no. 19 (1995–96) to the Storting, four themes are set forth on which environmental assistance is to focus: the development of sustainable production systems, conservation and sustainable use of biological diversity, reduced pollution of soil, air and water and preservation of cultural heritage and management of the natural environment's cultural values.⁷² It was not possible to apportion environmental assistance quantitatively among the four theme areas on the basis of the information in NORAD's project database alone. In recent years, NORAD has reported on the basis of these theme areas only in the form of overall descriptive accounts. There is reason to ask whether the reporting on environmental assistance programmes and projects is organised satisfactorily.

The audit revealed that most money was reported being spent on environmental assistance within the economic development performance area. In this area, as well as in the social development performance area, environmental assistance is often aimed at sectors where there is a need to integrate environmental concerns into development cooperation programmes and projects to avoid environmental degradation. However, it was not possible to obtain an overview of the size of the share of developmental

⁷² Cf. Recommendation no. 229 (1995–96) to the Storting, *A changing world. Main elements of Norwegian policy towards developing countries.*

assistance funding that is spent on avoiding environmental degradation. The findings support the conclusion that the overarching reporting on environmental assistance is insufficient.

5.2 Integration of environmental concerns into development cooperation

It is enshrined in policy documents at every level that all Norwegian Agency for Development Cooperation-financed programmes and projects are to be assessed for environmental impacts. While NORAD's role with regard to the degree of involvement and follow-up must be evaluated in light of the recipient country's capacity and context, the Norwegian responsibility for verifying that environmental concerns are being addressed remains firm.

5.2.1 Preparatory phase

The selected programmes and projects in Tanzania and Sri Lanka are in sectors that warrant attention with regard to environmental concerns. NORAD's own guidelines for environmental assessments in the period in question underscore this⁷³ and emphasise the importance of doing such assessments in the programme or project's planning phase. The audit revealed that the environment was mentioned in this phase in all programmes or projects, but there was great variation between the two countries regarding the extent to which environmental assessments were highlighted and justified.

The environment is mentioned in NORAD's documents in the preparatory phase of all six projects in Tanzania, and after an initial appraisal, reasons are satisfactorily provided for the decision reached.

In the four programmes in Sri Lanka for which no environmental impact assessment was performed, i.e. the three rural development programmes and the programme to improve the living conditions of plantation workers, the environment received little mention in the preparatory phase. The initial appraisals are limited to setting it as precondition that the environment must be addressed in the individual components. Specific environmental assessments are not evident, and decisions not to initiate further

⁷³ Norwegian Agency for Development Cooperation: Environmental impact assessments of development cooperation projects. Preliminary Risk Analyses no. 1 (Agriculture), no. 6 (Hydropower development), no. 7 (Water supply), no. 8 (Transport), no. 9 (Industry and energy) and no. 12 (Urban and village development). All agreement periods reviewed began after the Norwegian Agency for Development Cooperation had developed its system for environmental assessments.

environmental assessments were not satisfactorily justified. Viewed in light of the fact that activities such as the new construction and rehabilitation of dwellings, agriculture and irrigation systems are key components in all four programmes, NORAD's handling of the environment in the preparatory phase of these four programmes appears to be deficient.

In the projects for which an environmental impact assessment was done in the preparatory phase, the tannery complex in Sri Lanka and three of the projects in Tanzania, environmental issues garnered greater attention and more thorough treatment than in the other programmes and projects. In this investigation, two of the projects in Tanzania (the transmission line from Mbala to Sumbawanga and the rehabilitation of the road between Songwe and Tunduma) were also the subject of a closer evaluation and field visit, since they represent considerable investments and encroachments on the natural environment. In both projects, the environmental impacts were captured satisfactorily, in line with the guidelines for energy and transport projects. However, the audit revealed that the environmental impact assessments have some shortcomings, chief among which is that the environmental impact assessment of the transmission line project lacked an assessment of the fate of the existing diesel generator in Sumbawanga. Nor was this part of the project that NORAD funded. Today the generator represents a real risk of contaminating local drinking water.

With regard to the Lower Kihansi hydropower plant in Tanzania, the environment was thoroughly discussed in the preparatory phase. This project represents a special case in the investigation, in the sense that NORAD did not participate in the initial assessment before the decision to build was made, and that the environmental impacts were more serious than first assumed, which drew lots of attention in Tanzania and internationally. NORAD's request for a new environmental impact assessment and a thorough review of it before a final decision on funding is keeping with the guidelines for projects of this magnitude. The project represents the very core issue in balancing between economic development on the one hand and sustainable development on the other. Environmental issues were subjected to a thorough assessment before the final decision on Norwegian funding was made, even though there are indications that in this case, economic development concerns weighed more heavily than environmental concerns. NORAD's participation in the preparation of mitigating measures, however, may be described as satisfactory.

5.2.2 Implementation phase

The audit revealed that for the implementation phase there are serious deficiencies in the manner in which NORAD has followed up the integration of environmental concerns vis-à-vis the partner institutions in the recipient country and the way this is documented.

Programmes and projects without environmental impact assessments were not followed up in Sri Lanka, and in Tanzania they received only cursory follow-up. There is particular reason to question the embassy's follow-up of the rural development programme in Batticaloa, because of the area's vulnerability and because guidelines were prepared for integrating environmental concerns for use in each component of the programme. The programme was also reported to NORAD's database as having the environment as a significant policy objective. Nevertheless, the documentation from the implementation phase makes no mention of the environment.

The investigation of selected programmes and projects in Sri Lanka yielded clear indications that the embassy perceives the integration of environmental concerns as a Sri Lankan task and not part of Norwegian oversight tasks. This is in keeping with the principle of recipient responsibility, but not with the guidelines for integrating environmental concerns. Any assessment of environmental risk, even when such is not assumed to be present, is supposed to be documented in all phases of a programme or project.

The documentation from the implementation phase of the transmission line project in Tanzania (Mbala to Sumbawanga) is also deficient, showing no sign of follow-up by NORAD. However, the audit revealed that those responsible for implementation largely addressed the integration of environmental concerns as the project wore on, and that there was a dialogue with NORAD about this, even though this does not appear in written minutes. However, the lack of documentation means that is impossible to obtain this information without visiting the area where the actual construction took place.

NORAD also played an active role regarding the environment during the construction of the Lower Kihansi hydropower plant. In this project the follow-up from the agency is solidly documented and shows that the integration of environmental concerns was taken seriously during implementation by donors and implementers alike, which led, among other things, to the discovery of the unique toad species. The discovery meant that the hydropower plant garnered a lot of attention and was in part strongly criticised by environmental organisations and in the World Bank's report.

However, this investigation was limited to NORAD's follow-up, and there are no indications that this responsibility was not satisfactorily exercised in the form of dialogue with the recipient country and support for mitigating measures prior to and during implementation.

5.2.3 Completion phase

Of the eleven selected programmes and projects, four are completed. For these programmes and projects, the substation and the two smaller road projects in Tanzania and one of the rural development programmes in Sri Lanka, HIRDEP, there was no trace of environmental concerns being addressed in the same way as in the implementation phase, even though this was pointed out in during preparation. Completion documents are missing for two of the projects in Tanzania. For its part, although the Kihansi hydropower station is not formally completed, the experiences from implementation are described thoroughly, along with further follow-up measures for addressing environmental concerns. The documentation represents a significant institutional memory and learning opportunity for the players involved with regard to future projects.

There are reasons to question whether NORAD has fulfilled its oversight responsibilities in this phase. Besides the fact that missing documentation makes monitoring efforts afterwards more difficult, institutional memory and opportunities for learning are also weakened with regard to similar projects in the future.

5.2.4 Summaries of procedures and practice for integrating and following up environmental concerns

NORAD's routines show considerable deficiencies regarding performing and documenting environmental assessments in the programmes and projects selected for the investigation. The deficiencies are smallest in the preparatory phase, where environmental concerns are mentioned in the plan documents in all the projects and programmes. However, for Sri Lanka, reference is largely made to the overarching principle of integration of environmental concerns, with little mention of specific assessments.

In the implementation and completion phase, the documentation shows little or no dialogue on environmental concerns between NORAD and the recipient countries, even though this was mentioned as a precondition for approving the programmes and projects by the Norwegians. The exceptions are those programmes and projects assumed to have a high environmental risk and for which environmental impact assessments were performed. In

these instances NORAD's dialogue with the recipient country in both the project design phase and implementation phase are reproduced in the documentation to a great extent.

Even though the audit showed insufficient documentation of follow-up and monitoring by NORAD, the field visits of four of the selected programmes or projects showed that the environment was being addressed to a greater extent by the implementing institutions in both countries than the documentation indicates. In some cases, NORAD also appears to have had a closer dialogue with implementing institutions than is referred to in the written documentation, especially in Tanzania.

In recent years, considerable funds have been appropriated for environmental assistance, with a particular focus on the importance of integrating environmental concerns in all Norwegian development cooperation. The insufficient documentation, especially in the completion phase, makes it difficult to see the results that integrating environmental concerns has brought about, i.e. whether environmental degradation has been avoided. The audit showed that NORAD did not follow the mandate of the Ministry of Foreign Affairs to develop a reporting system that renders visible the results of integrating environmental concerns into its development cooperation. There is therefore reason to ask whether the reporting back to the Storting provides relevant information on how the funds have been used and the results that have been attained.

The audit showed that the embassy in Tanzania followed up projects more closely than the embassy in Sri Lanka. The latter pointed to the principle of recipient responsibility and the fact that it is the recipient country's responsibility to see to it that its own environmental laws are obeyed. It is doubtless a complicated task to address and assign priority among the many principles for Norwegian development cooperation adopted by the Storting, among which integration of environmental concerns and recipient responsibility are two. NORAD has been left with difficult task of ranking the objectives in order of priority, since there are no policy documents that define this task.⁷⁴ However, it should be pointed out that NORAD's responsibility for monitoring and documenting the integration of environmental concerns remains firm, even if the recipient country is responsible for the programme or project, and Norwegian involvement will vary depending on the competencies and capacity in the individual country and institution.

⁷⁴ This was also mentioned in: ECON as and the Fridtjof Nansen Institute: "Evaluation Report 5.95, Integration of Environmental Concerns into Norwegian Bilateral Development cooperation: Policies and Performance", Ministry of Foreign Affairs, 1995.

The audit provided indications that NORAD's own system for environmental assessments has not been used in the initial appraisals. The fact that reference to these handbooks has now been removed from NORAD's new manual confirms the impression that this system was inappropriate for processing programmes and projects. However, there is reason to question NORAD's decision not to replace the system that was removed with an updated handbook, as was assumed in earlier letters of allotment from the Ministry of Foreign Affairs and the agency's performance plan.

As of today, most multilateral and bilateral donors have separate handbooks for the environment to be used in processing assistance programmes and projects. This is particularly emphasised in the preparatory phase, before a project or programme receives funding and in sectors that may present a major environmental risk and where there may be reason to be on guard. A deficiency of the new manual of NORAD is its lack of a binding system to assist executive officers in classifying and evaluating programmes and projects in the initial appraisals and in justifying the decisions made. In particular, it appears that the new manual is deficient with regard to the environment in the initial appraisals. There is reason to underscore the importance of having explicit requirements for when the process environmental expertise is to be brought in and for what kinds of programmes and projects.

The changeover to programme development cooperation also represents a challenge regarding assessing environmental risk for a programme with many subprojects. This is not mentioned in NORAD's new development cooperation manual. Nor does this manual give any indication of the type of programme or sector for which it is especially important to do initial environmental assessments, and how environmental concerns can best be followed up during implementation.

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Appendix

Source: Data source for all tables and figures in the Appendix is NORAD's database for 1998–2000.

Table 8 Total development cooperation by region. 1998-2000. NOK million
(Administration costs are omitted) .

	1998	1999	2000
Africa	3105	2883	2978
Asia	1616	1724	1814
Latin America	686	547	522
Europe	500	1274	1251
Oceania	2	2	3
Global, unspecified	813	893	1083
Multilateral development cooperation	2802	2832	2901
Total	9523	10154	10552

Table 9 Net bilateral (bilateral and multi-bilateral) environmental cooperation by performance area, DAC main category and type of environmental policy objective. 1999 and 2000. NOK million

Performance area	DAC Main category	1999			2000		
		Significant	Principal	Total	Significant	Principal	Total
Economic development	Other multisectoral efforts	56	17	73	40	31	71
	Banking and financial services		3	3		0	0
	Energy	73	23	96	58	12	70
	Fishing	50	6	57	64	4	68
	Manufacturing	41	10	51	5	0	5
	Communication	21		21	21	1	22
	Agriculture	46	67	113	50	75	125
	Mineral resources and mining					3	3
	Business and other services	0		0	1		1
	Tourism		1	1		1	1
	Forestry	30	28	58	33	23	56
	Transport and storage	15	4	19	9	5	14
	Total, Economic development		332	160	492	280	155
Social development	Other social services	45	5	50	27	10	37
	Other multisectoral efforts	19	4	22	22	2	24
	Population policy/ programmes and reproductive health	0		0	0		0
	Housing	7		7	15		15
	Basic education	10	3	13	13	2	15
	Health, general	6		6	4		4
	Basic health	1	3	4	12	0	12
	Employment	2		2	3	0	4
	University/college education	0		0	2	0	3
	Education, level unspecified	9	7	16	15	12	27
	Water supply and sanitation	61	77	138	54	65	119
	Secondary education	0	1	1	2	1	2
	Total, Social development		162	98	260	170	92

Performance area	DAC Main category	1999			2000		
		Significant	Principal	Total	Significant	Principal	Total
Humanitarian aid	Other emergency assistance/distress relief				7	13	21
Peace, human rights and democracy	Public administration and popular participation	43	6	50	49	6	55
Other	Women and development	5	1	6	8	1	8
	Multisectoral environmental efforts	11	337	348		331	331
	Unallocated/unspecified	0	0	1	0	0	0
Total, Other		16	338	354	8	333	340
Total		553	602	1155	514	600	1113

Table 10 Net environmental assistance by performance area and DAC code, Sri Lanka, 1999–2000. NOK million

Performance area	DAC code 1	DAC code 2	Sri Lanka					
			1999		Total 1999	2000		Total 2000
			Significant policy objective	Principal policy objective		Significant policy objective	Principal policy objective	
Other	Multisectoral environmental efforts	Biological diversity		2.7	2.7		2.2	2.2
		Landscape conservation		0.0	0.0			
		Environmental research		0.0	0.0		0.0	0.0
		Environmental education and training		0.2	0.2		0.1	0.1
		Environmental conservation policy and administrative management		1.0	1.0		2.7	2.7
		Biosphere protection		0.5	0.5		0.8	0.8
		Total, Other			4.4	4.4		5.7
Social development	Water supply and sanitation	Water and sanitation – large systems		0.0	0.0		15.3	15.3
		Water supply and sanitation – small systems	0.2		0.2	0.1		0.1
		Water resource policy and administrative management	0.1		0.1		0.0	0.0
		Water resources protection	0.2		0.2			
	Employment	Employment policy and administrative management	0.0		0.0			
Total, Social development			0.6	0.6		0.1	15.3	15.4

Economic development	Com- munication	Radio/TV/ print media					1.2	1.2	
	Business and other services	Business services	0.0		0.0	1.2		1.2	
	Agriculture	Agricultural policy and administrative management		0.2	0.2			0.2	0.2
			Agricultural education and training		0.5	0.5			
			Agricultural development	0.0	1.5	1.5		2.2	2.2
	Forestry	Forestry development	0.2		0.2				
	Other multi- sectoral efforts	Development of rural regions	8.3		8.3	6.0		6.0	
	Total, Economic development			8.5	2.2	10.7	7.2	3.6	10.8
Total			9.1	6.6	15.7	7.2	24.7	31.9	

Table 11 Net environmental assistance by performance area and DAC code. Tanzania, 1999–2000. NOK million

			Tanzania					
Performance area	DAC Main Code	DAC Subcode	1999		Total 1999	2000		Total 2000
			Significant policy objective	Principal policy objective		Significant policy objective	Principal policy objective	
Other	Multisectoral environmental efforts	Biological diversity		6.3	6.3		9.2	9.2
		Environmental education and training		7.9	7.9		13.2	13.2
		Environmental policy and administrative management		7.2	7.2		4.3	4.3
		Biosphere protection		0.5	0.5		0.7	0.7
Total, Other				21.8	21.8		27.4	27.4
Peace, human rights, democracy	Public administration and popular participation	Public administration				0.4		0.4
Total, Peace, human rights, democracy						0.4		0.4
Social development	Other social services	Culture and recreation	0.2		0.2	0.0		0.0
	Water supply and sanitation	Water supply and sanitation – small systems		3.5	3.5			
Total, Social development			0.2	3.5	3.7	0.0		0.0

			Tanzania					
Performance area	DAC Main Code	DAC Subcode	1999		Total 1999	2000		Total 2000
			Significant policy objective	Principal policy objective		Significant policy objective	Principal policy objective	
Economic development	Energy	Energy policy and administrative management	0.4		0.4	0.1		0.1
		Electrical transmission/distribution	25.0		25.0	20.0		20.0
	Agriculture	Agricultural development		1.9	1.9		2.2	2.2
		Food crop production	0.0		0.0			
		Agricultural water resources				0.3		0.3
	Forestry	Forestry development	1.9	15.0	16.9	2.8	15.7	18.5
	Transport and storage	Transport policy and administrative management	1.8		1.8	2.2		2.2
	Total, Economic development			29.1	16.8	46.0	25.3	17.9
Total			29.3	42.2	71.5	25.8	45.3	71.1

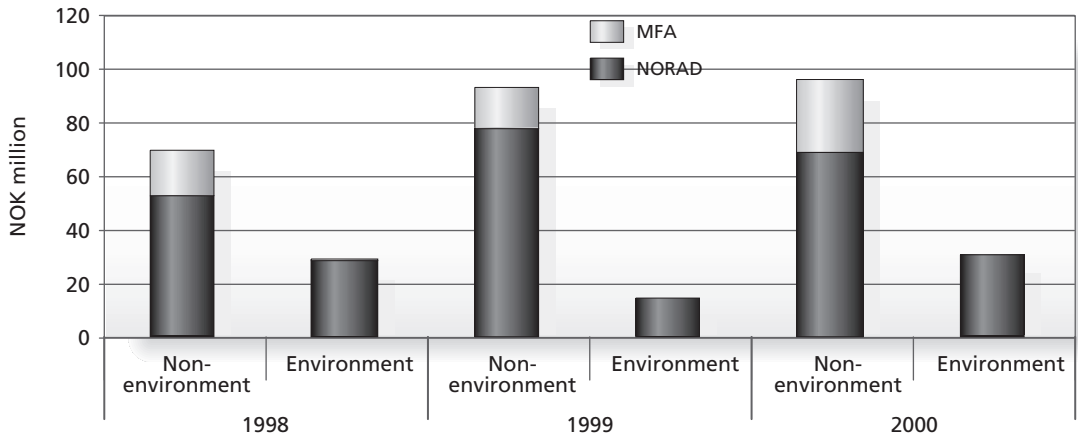


Figure 3 Net environmental and non-environmental assistance by appropriating authority. Sri Lanka 1998–2000

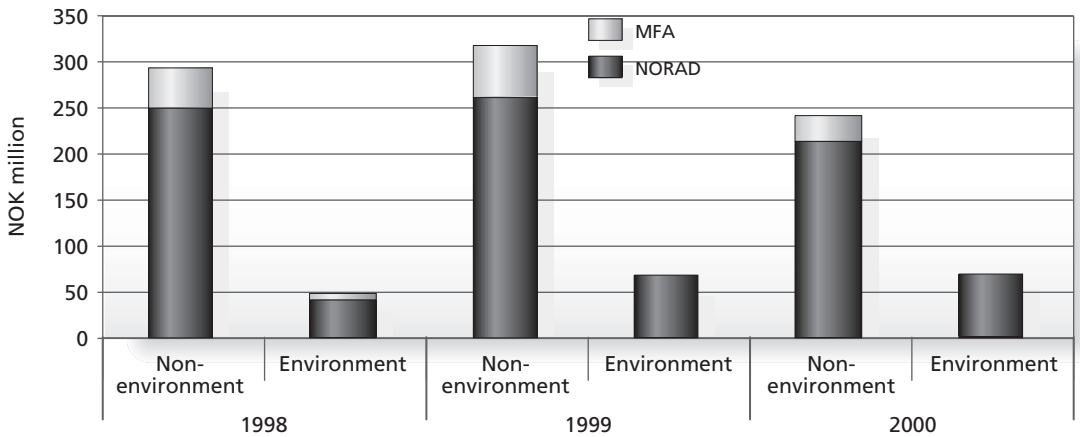


Figure 4 Net bilateral development cooperation (bilateral and multi-bilateral) by environmental objective and performance area. Tanzania 1998–2000

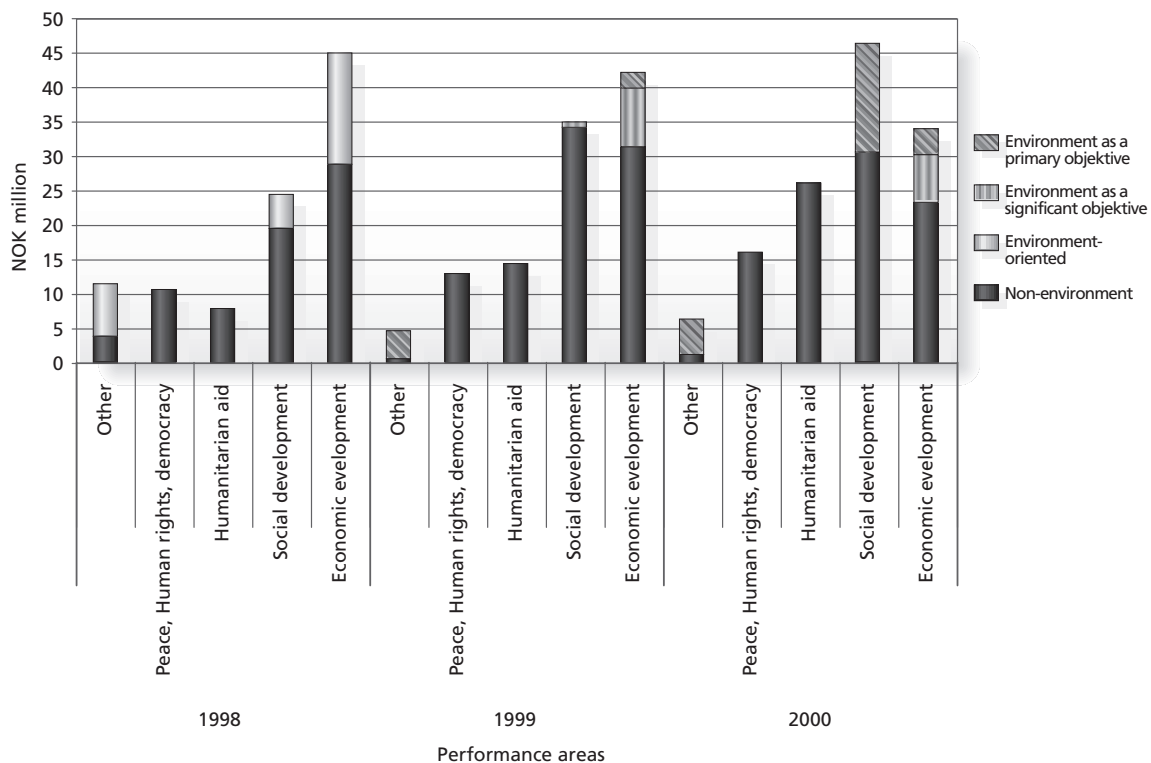


Figure 5 Net bilateral development cooperation by performance area⁷⁵ and environmental policy objective⁷⁶. Sri Lanka 1998–2000

⁷⁵ The performance areas in 1998 are not directly comparable with equivalent categories in 1999 and 2000. The reason is that the division into sector areas (DAC codes) on which the division into performance areas is based, was changed in 1999.

⁷⁶ In 1998, the categories principal and secondary policy objectives were not used in the classification of environmental assistance. For 1998, environmental assistance is defined as population programmes and environment-integrated and environment-specific programmes and projects.

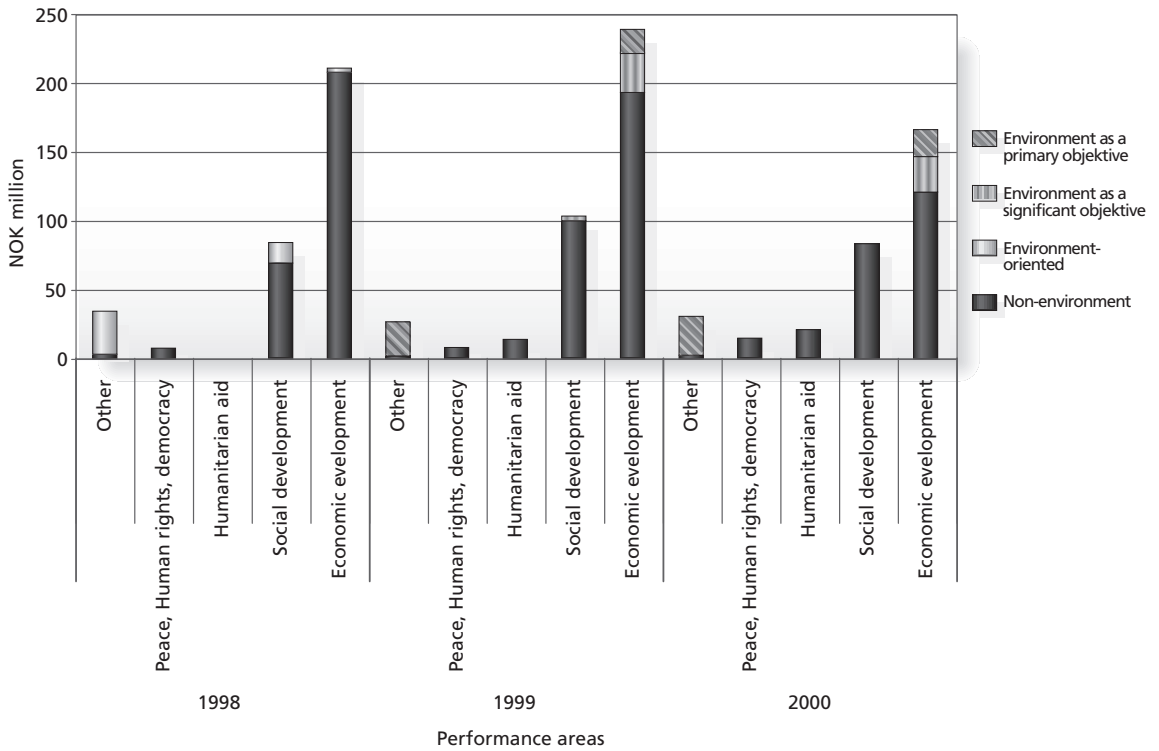


Figure 6 Net bilateral development cooperation by performance area and environmental policy objective. Tanzania 1998–2000

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