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Evaluation Report 10/2000

Taken for Granted?

An Evaluation of Norway's Special Grant for the Environment



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An Evaluation of Norway's Special Grant for the Environment

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Responsibility for the contents and presentation of findings and recommendations rests with the evaluation team. The views and opinions expressed in the report do not necessarily correspond with the views of the Ministry of Foreign Affairs.

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Abbreviations

| | |
|---------|---|
| ADB | Asian Development Bank |
| CARE | Cooperative For American Remittances Everywhere |
| CBD | Convention on Biological Diversity |
| CGIAR | Consultative Group on International Agricultural Research |
| CIDA | Canadian International Development Agency |
| COP | Conference of Parties |
| DAC | Development Assistance Committee (OECD) |
| DFID | Department for International Development, United Kingdom |
| EA | Environmental Assessment |
| EIA | Environmental Impact Assessment |
| EBRD | European Bank for Reconstruction and Development |
| ENB | Earth Negotiation Bulletin |
| EPI | Environmental Performance Indicators |
| EPTSD | Expert Panel on Trade and Sustainable Development |
| FAG | Technical Department (NORAD) |
| FAO | Food and Agriculture Organisation |
| FINNIDA | Finnish International Development Agency |
| FCCC | United Nations Framework Convention on Climate Change |
| GEF | Global Environment Facility |
| GIS | Geographical Information System |
| GoBd | Government of Bangladesh |
| GoI | Government of India |
| GoN | Government of Norway |
| Grant | Special Grant for the Environment |
| GRID | Global Resource Information Database |
| IBRD | International Bank for Reconstruction and Development |
| IDA | International Development Association |
| IDB | Inter-American Development Bank |
| IIED | International Institute of Environment and Development |
| ILO | International Labour Organisation |
| IPM | Integrated Pest Management |
| IUCN | International Union for the Conservation of Nature |
| JET | Journal of Environmental Journalists |
| MDB | Multilateral Development Bank |
| MFA | Ministry of Foreign Affairs |
| MICOA | Ministry for Co-ordination of Environmental Affairs, Mozambique |
| MLA | Multilateral Agency |
| MNTR | Ministry of Natural Resources and Tourism, Tanzania |
| MoE | Ministry of Environment |
| MoU | Memorandum of Understanding |
| NEMP | National Environmental Management Programme, Mozambique |
| NGO | Non-governmental organisation |
| NOK | Norwegian Kroner |
| NORAD | Norwegian Agency for Development Cooperation |

| | |
|--------|--|
| OECD | Organisation for Economic Co-operation and Development |
| SME | Small and Medium Enterprises |
| SIDA | Swedish International Development Agency |
| TaTEDO | Tanzania Traditional Energy Development and Environment Org. |
| UNCED | United Nations Conference on Environment and Development |
| UNDP | United Nation Development Programme |
| UNEP | United Nations Environment Programme |
| UNV | United Nations Volunteer |
| WRI | World Resources Institute |
| WWF | World Wide Fund for Nature |

Factsheet

The Norwegian Government's Special Grant for Environment and Development ("the Grant") was initiated in 1984 in parallel with the Special Grant for Women. The first allocation was NOK 10 million under the responsibility of Ministry of Development Co-operation, later the Ministry of Foreign Affairs. In 1995 a separate budget sub-item under Budget Chapter 0173, Item 70, was initiated as Actions for Environmental Co-operation in Asia – later renamed Actions for Extended Environmental Co-operation. From 1997 the two "grants" became Items under Chapter 0155 and from 2000 the two budget items were merged into one with a volume of NOK 310 million.

Since the initiation of the Special Grant, a total of NOK 1,909 million has been allocated. The Grant was meant to be an instrument for mainstreaming environmental concerns in normal aid activities. The Special Grant's share of total Norwegian environmental aid funds increased from 11 per cent to 25 per cent from 1995 to 1999.

The geographical focus of the Grant has varied, but Africa, Asia and global actions, including projects with multilateral agencies, predominate. In the period 1995–99, 40 per cent went to support projects in Asia, 26 per cent to

projects in Africa and 31 per cent to global and multilateral projects. China and Indonesia have been the major recipient countries in the period 1995–99, with 12 and 10 per cent respectively of Special Grant funds.

More than half of the projects (56 per cent) have been coded as unspecified environmental, 18 per cent for the sectors of agriculture, forestry and fisheries, and 6 per cent to projects for infrastructure.

Formal responsibility for managing the Grant is divided between the Ministry of Foreign Affairs and NORAD. The Ministry has been handling an increasing share of Grant funds, now close to 50 per cent. Guidelines for the use of the Grant are given in the annual budget document to the Storting. No strategy was developed for the Grant itself, but the Strategy for Environment in Development Co-operation of 1997 (hereafter the Strategy of 1997) has been central for the Grant management.

In 1998/99 it was decided to phase out the Grant in 2000 although this decision has since been put on hold. The present evaluation is designed to serve as a background for renewed discussion.

Executive Summary

The Special Grant for Environment and Development (the Grant) was initiated in 1984 as an instrument to focus on the environment in developing countries and to incorporate environmental considerations into overall Norwegian aid. From NOK 10 million in 1984, the volume peaked in 1997 at 323.5 million; in 2000, the Storting allocated 310 million.

The Grant was evaluated in 1991/1992, and was a central element in the 1995 evaluation of the integration of environmental concerns into bilateral development assistance. This last evaluation recommended planning for full integration of the Grant into mainstream aid activities. In 1997/1998 it was decided to phase out the Grant from 2000, but this decision was later put on ice. The present evaluation, focusing on the period 1995–2000, is meant to describe and assess the Grant as an instrument, analyse the usefulness of a special grant, and serve as background for a decision on continuing the Grant.

Two important developments have taken place over the period. Both are based on policies presented in the Report no. 19 to the Storting (1995–96) *A Changing World*. In 1995 the so-called “Asia Grant” was established as a separate sub-item on the budget to accelerate Norwegian co-operation with countries in Asia on the environment. This grant had the double objective of improving environmental conditions in rapidly developing countries such as China, Indonesia etc. and at the same time developing co-operative relations with Norwegian companies and institutions with competence in environment and environment technologies. In the years 1995–97, the Asia Grant became a central vehicle for the much broader Asia Plan for increased economic co-operation with Asian countries. The Asia Grant was later named Action for Extended Environmental Co-operation and from 2000 was merged with the original Special Grant. The new Government in 1997 gave more focus to poverty eradication and

less to tying Norwegian aid to Norwegian industry, with a greater focus on Africa.

The other major development has been the development of *A Strategy for Environment in Development Co-operation*, which is a follow-up to the two previous evaluations. Although not a strategy for the Grant, the Grant was a central source of funding for these activities.

The team found that the strategy for Grant spending and management to be diffuse or even absent and largely superseded by the Environment and Development Co-operation Strategy of 1997, which outlines in broad terms the environmental focus of Norwegian development spending. This absence does not mean that the Grant has not played an important, and even strategic, role at a lower level, but the responsibility of strategy development has been decentralised to different actors in the Norwegian administration. The lack of guidelines for the Grant implies that the Grant largely is managed according to more general policies and guidelines. This conclusion may be both rational and wise, but challenges the existence of the Grant as a separate instrument on the budget.

The allocations from the Grant in 1995 constituted 11 per cent of total Norwegian aid classified as environmental according to OECD/DAC criteria. This figure grew to 25 per cent in 1999. Over the years 1995–99 26 per cent of the disbursements have been for Africa and 40 per cent for Asia. Thirty-one per cent have been categorised as global projects or allocations to multilateral organisations. This figure has increased over the period. The three largest recipients of bilateral allocations have been China, Indonesia and India, all benefiting from the Asia Grant while the largest African recipient has been Mozambique. Most projects are classified as “unspecified environmental”, but important shares have been allocated to projects in the sectors of agriculture, forestry

and fisheries, and projects related to public technical infrastructures.

The sample indicates a good spread over the relevant sectors, including cultural heritage, which, rather unusually, has been included under environment. Projects carried out in partnership with other donor organisations and multilateral institutions indicate that the Grant has been successful in building co-operative relations.

MFA has used the Grant as an instrument to influence the policies of multilateral agencies. In some countries the Grant supports small projects outside country frame agreements. The Grant has allowed NORAD to support environmental projects in China and other East Asian countries – often in co-operation with Norwegian companies and scientific institutions. The Grant has thus had a multitude of identities.

The evaluation was conducted in two phases. Firstly, a sample of projects was drawn from the statistical database for the Grant. The documentation filed for these projects was studied in detail to assess project results and management. In addition, interviews were conducted with staff members at MFA, MoE and NORAD to collect experiences and views on the function of the Grant and its alternatives. Secondly, the team visited four countries and three multilateral agencies to discuss management practices. The sample of projects was extended by a number of projects from the countries visited and, for some purposes, combined with the first sample.

The team found that the availability of files was not always satisfactory. This is a reflection of the diverse management structure for the Grant, with management and filing responsibilities at both MFA, NORAD and a number of embassies and in some cases less documentation than one would expect. For 70 per cent of the sample, the team found no completion report at the time of evaluation and although this can be partly explained by ongoing projects and late submissions it is still higher than expected.

Even if there are large variations, the documentation frequently paid more attention to expenditure control than project results and impacts. The team has also found few signs of synthesis reports with the intention of taking lessons learned into strategy work of the organisation. At the embassy level, the team found the documentation systematically archived.

The potential for the Grant to be strategic is undermined by the system of documentation. The team's main concern is the general availability in terms of the different physical locations of the project documents. In some cases there is less documentation than desirable and an absence of a collective responsibility for documentation. Procedures to utilise project information in further strategy development are also less than desirable. For most projects studied there was very little emphasis on the analysis of outcomes. Even if it was frequently emphasised that the small grants were innovative, there were few signs of lessons learnt. Institutional memory could be significantly improved internally in aid administration.

Formal responsibility for Grant allocations rests with MFA and NORAD, although MoE is involved in strategy discussions, project initiation under MoUs etc. MFA's own share of the funds has grown from 23 to around 50 per cent over the period and covers funding for environment activities in MLAs and a diverse portfolio of projects to follow up on political priorities etc. Whereas Grant funding to the MLAs is complementary to other funding in a strategy to develop environmental capacity, other MFA projects tend to be more short-term and less uniform. The Strategy of 1997 has only been partly operationalised. To ensure coherence in the large administrative organisations involved, more concrete guidance is required as to objectives, project identification, management and review of outcomes.

NORAD receives an annual Grant allocation from MFA although its focus is on

environmental strategy in general. In countries with an integrated embassy, the embassy is normally responsible for projects under NOK 15 million. NORAD's Technical Department and possibly resource centres outside the organisations are used to assist NORAD's Regions Department and embassies in implementing environmental strategy within country strategies.

The Grant's role varies from country to country. In *Tanzania*, the Grant has served a complementary role to the much larger country frame agreements on natural resource management. However, from 1998 the Regional fund has been used to finance this activity. In *India*, Grant activities have been concentrated to two geographical regions. The Grant has been instrumental, as it has allowed many environmental activities in India, given that India is not a prioritised country for Norwegian aid. In *Bangladesh*, environment has not been highlighted although the Grant has still permitted some projects. In *Viet Nam* and *Laos*, the portfolio of projects is small although of high value. In the case of *China*, the Grant has been a vehicle in establishing projects between Chinese and Norwegian partners. Starting from almost nil in 1995, volume grew quickly until 1997 when mixed credit funding from the Grant was halted.

The impact of the Grant on the MLAs is hard to quantify. The role of Norway in establishing the environment agenda in the 1980s was crucial, but today, Norway is one among a number of countries trying to influence the agenda of the agencies. The relative ease of meeting conditions for Norwegian allocations has given the World Bank and others a flexibility that is lacking in other countries' funding.

Arguments for a special grant are still valid, but since the Grant's initiation, two developments have reduced its *raison d'être*: management systems to follow up on political goals are improved and capacity on and awareness of the environment have grown. Whereas a special grant can be an interesting measure in a phase of policy development, the team sees

mainstreaming of environment to be the most important challenge ahead.

The Grant has had an obvious impact on Norwegian aid administration, by requiring accounting and reporting procedures. The Grant has also given the administration a very direct mandate to work for improved environment in development co-operation. The evaluation concludes that follow-up of this budgetary arrangement has been too weak to recommend a continuation of the present system.

Based on the role the Grant is presently playing, the team sees few reasons to continue this special budgetary arrangement and recommends that:

- The Grant be discontinued in its present form and that the funds it represents be merged with overall environmental spending;

If this recommendation is implemented, the same commitment to the environment should remain through some or all of the following:

- a financial target for spending on environment;
- distinct environment objectives for each budget item and programme;
- objectives which can be subject of reporting and evaluation;
- request for the development of management tools for mainstreaming of environment.

If the Grant is to be abolished, two major types of projects will lose their immediate source of funding. This needs to be addressed by ensuring that flexible funds – be they earmarked for environment or not – can be used for:

- the MFA to follow up on political processes and initiatives;

- Highlighting environmental activities outside main partner countries.

The team has no preference concerning whether these funds should be integrated into existing budget items or into new ones.

Overall environment spending is governed by the Environment Strategy of 1997, but needs to be operationalised, to move to more explicit delineation of desirable project outcomes. If the much-delayed NORAD environmental handbook serves this function then its completion and wide dissemination remains a priority.

The role of the MoE remains highly ambiguous; a clearer definition of its responsibilities from the viewpoint of Oslo and recipient countries would be highly desirable. MoE should have the right to comment on project initiation in MoU countries but without separate MoU procedures.

The Asia strategy was responsible for a significant expansion of tied projects, particularly in China, which are linked to the participation of Norwegian industry. Even if Chinese authorities are strongly involved in project initiation, this could contradict the recipient orientation outlined in other documents. A broadening from narrow social and political goals to an environmental policy reflecting scientific observations of physical change in tandem with a social science-based understanding of who causes what and why seems to be crucial for a justifiable long-term strategy and sustainability in environmental programmes.

The other major concern of the study was weak lesson-learning and a failure to address issues of replication and scaling-up. These are in part a consequence of decentralisation and recipient orientation, and while these are desirable goals, in some ways they lead to a mass of small and unmonitored projects with the consequence that a coherent strategic direction is hard to pursue. The key recommendations (valid for most NORAD activities) are then:

- More emphasis on project outcomes to ensure that outputs match the initial projections;
- Requirement for submission of analytic documents rather than expenditure records;
- Improved outlining of operational goals to enable more effective M & E (Monitoring and Evaluation);
- Strategic oversight of comparable Norwegian projects worldwide, to ensure lessons learnt are applied in similar situations;
- Greater emphasis on replication of successful projects;
- Closer co-ordination between bilateral and multilateral activities.

A more effective administration procedure would be to stratify projects or grants into those too small to be evaluated and those where a significant outcome should lead both to environmental results and methodological lessons. This is suggested because there are very high transaction costs in learning from very small grants, which are extremely numerous. We therefore recommend:

- Formal stratification of projects to allow for simplified administrative procedures for some projects whereas projects with lesson-learning potential be given more attention.

Linked to this is a major improvement in the documentation system. The principle recommended for all environmental projects is “presumption of disclosure”, that is, all documents shall be freely available unless there are compelling reasons to the contrary. This should *not* be linked to the centre/embassy distinction; electronic documents can be freely transmitted between institutions or even by the same archiving system. We therefore recommend:

- Adoption of the “presumption of disclosure” principle; the principle that all documents should be available for public scrutiny unless there are compelling reasons of state to the contrary.
- Publication of all documents relating to the environment on the Web;
- More transparent and effective system of electronic archiving of all documents relating to environment to be accessible to all ministries and to embassies;
- Formal system of logging documents to make clear the absence of those that should be available;
- Routinely synthesise experiences and lessons and disseminate them to relevant parts of the institution.

Norway’s overall record on the environment and international reputation in this arena is good; we hope that these recommendations will maintain and extend this state of affairs.

1 Introduction

1.1 Mandate

The Ministry of Foreign Affairs issued a call for tenders 13 April 2000 to evaluate the Government's Special Grant for Environment and Development for the period 1995–2000. Both Norwegian and international institutions were invited. A contract for the evaluation task was signed on 11 July.

The Terms of Reference (see Annex 1) give the mandate for the evaluation, subject to discussions between the central stakeholders prior to the invitation. The main objective of the evaluation was to:

Describe and assess the Grant as an instrument for furthering the stated objective of promoting an ecologically sustainable development within and through Norwegian aid.

Further the evaluation should:

Contribute to the ongoing discussion on the usefulness of special grants as instruments for rendering political priorities visible and furthering stated objectives.

Technically the Grant can be described as budget chapter 0155, items 70 and 71 (formerly chapter 0173, item 70) on the Ministry of Foreign Affairs' budget.

The Terms of Reference emphasise a number of issues:

- The allocations of funds from the Grant should be described as a background for the discussion of its usefulness. A statistical presentation should show how the funds have actually been distributed, and what role the Grant has played in the total picture of environmentally related Norwegian aid;
- The management practices of the Grant should be described and analysed, both for bilateral and multilateral channels. Included in management practices are organisation, co-ordination, flexibility, transparency and cost-effectiveness;
- Assessing the practices with regard to recipient orientation, and other key objectives in Norwegian development co-operation;
- Assessing the practices established for the reporting of results;
- Assessing the results of the Grant use based on existing reports and documentation.

The Terms of Reference describe two main sources of information for the analysis. First, they describe relevant documentation on all levels from propositions to the Storting to the project level. Secondly, key personnel in Norwegian institutions handling the projects and strategies should be interviewed. The Ministry in particular asked for case studies to be performed in selected countries and multilateral organisations to see how the Grant has been handled at the embassy level and within multilateral organisations.

The Ministry has emphasised the need for the evaluation team to create a sense of ownership among stakeholders to the results of the evaluation. The team has therefore been requested to carry out debriefings and, in particular, to arrange a seminar to allow an open discussion before the final conclusions are drawn.

1.2 The evaluation team

KanEnergi AS, in co-operation with Overseas Development Institute, UK (ODI) and Bioquest HB, Sweden, were asked to perform the evaluation. Team members were Olav Isachsen, KanEnergi AS (team leader); Roger Blench,

ODI; and Hans Egnéus, Bioquest HB. The team was put together to include broad international expertise without prior experience with the Grant, as well as knowledge on Norwegian administrative structure and culture. Valuable contributions have also been made by Robert Chapman and Tom Slaymaker of ODI, and Jonas Sandgren of KanEnergi AS. Stein Hansen of Nordic Consulting Group has given the team valuable assistance in the capacity of Quality Assurance Adviser.

The report presents the findings of the evaluation team based on the study of documents and discussions with relevant individuals. The conclusions may have the

advantage of being outsiders' views, but are inevitably limited to what has been possible to accomplish over a short period.

The team has received valuable assistance from, and had discussions with, many people for whose assistance we are grateful. The team alone, however, is responsible for the presentation and the conclusions drawn. Our hope is that the report can stimulate discussions on mainstreaming the environment in Norwegian international efforts and on restructuring the project management system most effectively to meet the political objectives for this sector.

2 Background to the Special Grant Evaluation

2.1 History of the Grant

The Grant was introduced in 1984 in the budget of the Ministry of Foreign Affairs (MFA) at the same time as a special grant for gender, the Women's Grant. Similarly, a Special Grant for Culture was established. The special grants were introduced as general measures, implying earmarked funding, a visible political flag, and a stimulation of management routines and strategy for these sectors.

From an initial volume of NOK 10 million, the Special Grant for Environment gradually grew, and in 2000 the volume reached 310 million. From its initiation to 1999, a total of NOK 1,909 million has been disbursed. The purpose of the Grant was initially to strengthen professional competence for working with environmental issues and to finance environmental activities related to developing countries. The Grant was supposed to be provisional, with the ultimate objective of integrating environmental considerations into more usual modes of co-operation with developing countries.

Policy and guidelines for the Grant have developed over the years. The annual budget proposition to the Storting presents current priorities. Likewise, a number of White Papers have presented and discussed the policies of development co-operation. Very few documents and formulations are, however, devoted to the role of the Grant, one exception being the guidelines of 1993. The guidelines emphasised the catalytic role of the Grant in integrating environmental concerns in developing countries' policies, and giving priority to short-term and innovative action.

The Grant was evaluated in 1991/1992 and in 1995 the Ministry commissioned an evaluation of the integration of environmental concerns into bilateral development assistance. Two recommendations from the last evaluation were to develop an overall environmental strategy to provide greater operational guidance and facilitate the integration of environmental

concerns into regular activities. Further, full integration of the Grant into mainstream aid activities was recommended. These two recommendations form the background for the establishment of *A Strategy for Environment in Development Co-operation* in 1997 – dealing partly with the Grant – and the discussion over recent years as to whether to keep the Grant distinct.

In 1995 the Government outlined the Norwegian policy towards developing countries in *A Changing World*, Report no. 19 to the Storting (1995–96). One element was allocations for extended bilateral co-operation. From the beginning of the period of this evaluation (1995–2000), the Grant had a strong focus on increased co-operation between Norway and Asian countries, many of which were not among the countries prioritised for Norwegian aid. The Labour Government in 1995 proposed a separate grant for countries in Asia, called Actions for Environmental Co-operation in Asia (Asia Grant) – later renamed Actions for Extended Environmental Co-operation. Funds for this activity were additional – as the already established Grant had itself had an increase in funding. The liberal-centre coalition Government (1997–2000) gave more focus to poverty eradication and less to tying Norwegian aid to Norwegian industry. This led to a gradual shift away from Asia by including Africa and Latin America as potential recipient countries and a halt to using the Grant as a fund for mixed credits. From 2000, the two budget items were merged into one, known as the Grant. In 1998/99 it was decided to phase out the Grant in 2000, but the decision was later postponed.

In the whole period the Grant has been a well-established instrument and a visible political flag marking the importance of the environment in development co-operation.

The funding has for a large part been additional to existing programmes and activities. Some programmes have been transferred from other budget chapters to the Grant over the years. Most important are the Sudano-Sahel-Ethiopia and Nansen programmes. Later the

establishment of the Actions for Environmental Co-operation in Asia enabled the financing of projects in, for instance, Indonesia, which would otherwise have been financed through funds for co-operation with Norwegian industry.

Box 1. The Asia plan

The Government decided in 1994 on an Asia Plan containing three pillars: political dialogue, trade and economic co-operation, and culture. This plan must be seen against a background of emerging markets in the Asian region, the need to give Norwegian industry – in particular SMEs – assistance in internationalisation and similar initiatives from other Western countries. There was also a growing concern over the principle of untied Norwegian aid being viewed as lost opportunities for Norwegian industry. These domestic policy objectives matched the consensus developing in the early 1990s over the importance of economic growth in the private sector of developing countries. The plan was developed jointly by relevant ministries and industrial organisations in Norway. Plans for six sectors were developed: Environment Technology; Oil and Gas; Hydro Power; Maritime; IT/Telecommunications; and later Fisheries. Visits by prominent Norwegian officials were used actively in the follow-up to the plan.

In 1995, the Norwegian Storting decided that an Action for Environmental Support to Asia should be created (the “Asia Grant”). NOK 50 million was allocated as a parallel budget item to the existing environmental Grant. In addition to the general motives were the major environmental problems of pollution following in the wake of rapid industrial development in Asia. The “Asia Grant” was not formally a part of the Asia Plan, but was very much inspired by it. In 1998 the Plan lost most of its vitality: allocations were reduced to a minimum and the Government shifted attention in the aid budget to human rights and poverty eradication. The name of the “Asia Grant” was later changed to the Action for Expanded Environmental Co-operation in 1997 and from 2000 the two budget items were formally merged as one – the Grant.

The “Asia Grant” was originally focused on countries with lower-middle income or less in Asia. In addition to China and Indonesia, India, countries in Indochina and South Asia were included. The main difference from the original Grant was thus the wider geographical focus and greater opportunity in choice of aid forms. Although the geographical focus was changed in 1997, there was still a clear Asian dominance in the use of the funds. A recent draft evaluation of the Norwegian mixed credit arrangement gives the Asia Grant an important role in keeping up the level of support through 1995–97. From 1998 the Grant was not used for this purpose and the allocations for mixed credits fell sharply.

The Asia Plan, at least initially, gave the Grant a very clear strategic role. Some projects, which will run for a number of years, started in this period. An evaluation of the Asia Plan in 1999 concluded that it had contributed – although marginally – to Norwegian companies’ efforts abroad. Seeing the role the “Asia Grant” has played as a source of finance and as an instrument to establish co-operative relations between Norway and China, it seems clear that it has contributed to the overall plan.

2.2 Grant use

According to the contract for the evaluation, the team was asked to present a description of how the Grant has been used over the period. Statistics for Grant use are not readily available, and this may be a reflection of the low focus the grant has beyond the level of budget items decided by the Storting. At this stage we will give a presentation of how funds have been allocated.

2.2.1 Volume of Special Grant

The volume of the Grant grew steeply from its 1994 level when it was NOK 65 million to NOK 295 million in 1996. Since then, it has been oscillating around NOK 300 million. The rise was even steeper considering that the volume of 1995, by January, was NOK 80 million, and only later in the year extended to 123 million (Table 1).

Table 1. Overall allocations and accounts for the Grant, 1995–2000

| Year | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | Sum 95-00 |
|--------------------------------------|-------|-------|-------|-------|-------|-------|-----------|
| The Grant (allocation by Parliament) | 123.0 | 295.0 | 323.5 | 322.0 | 310.0 | 310.0 | 1683.5 |
| – MFA's share of the Grant | 23.1 | 74.0 | 136.5 | 128.3 | 136.4 | 142.0 | 640.3 |
| – NORAD's share of the Grant | 99.9 | 221.0 | 187.0 | 193.7 | 173.6 | 158.0 | 1033.2 |
| Allocations adjusted | 144.6 | 316.6 | 323.5 | 322.0 | 310.0 | 300.0 | 1716.7 |

2.2.2 Special Grant as part of total environmental aid

Total Norwegian funds for environmental aid were in 1999 NOK 1,247 million, according to official statistics reported to OECD/DAC, or approximately 12 per cent of total development

assistance. The Grant constitutes 11 per cent of total environmental funds in 1995, increasing to 25 per cent in 1999 (Table 2).

It is important to note that the use of funds allocated to environment aid may have changed

Table 2. The Grant compared to total environmental aid funds, 1995–99

| Year | 1995 | 1996 | 1997 | 1998 | 1999 |
|-------------------------|--------|--------|--------|--------|--------|
| Actual use (Accounts) | 133.2 | 267.9 | 351.5 | 307.3 | 355.6 |
| Total environmental aid | 1200.0 | 1389.0 | 1435.0 | 1304.0 | 1247.0 |

systematically and not be reflected in the statistics. Gradual mainstreaming of environment issues will occur as technologies and regulations are introduced that public and private investors must adopt and thus the impact of aid on environmental issues might be larger than indicated in the figures given for environmental aid (Table 2).

2.2.3 Disbursements by institution

The best source of information on how the Grant has been used is NORAD's statistical database. This takes account of both MFA and NORAD administered projects, showing disbursements per year. The database gives a good picture of actual spending. But to find the

allocations to NORAD projects over more than one year, information on each project would have to be recovered from the economy management system. It is estimated that a total of 600 projects have received support in the period 1995–2000.

In 1995, an average of NOK 0.93 million was disbursed per project, increasing to NOK 2.31 million in 1999. Within NORAD's portfolio the average was NOK 0.86 million compared to NOK 1.3 million for MFA, increasing to 1.55 and 4.0 respectively in 1999. The difference between MFA and NORAD disbursement size can to a large extent be explained by a few large projects managed from MFA, the most prominent being

an annual contribution to GEF, at around NOK 40 million. MFA disbursements per project – except multilateral projects – in 1999 were NOK 2.2 million, that is, not much more than for NORAD projects. The number of projects in Africa managed by MFA increased from 2 in 1996 to 14 in 1997, while NORAD-sponsored projects in Asia increased from 27 to 96 between 1995 and 1996. Both changes reflected policy changes.

The division of responsibility between MFA and NORAD can be illustrated by disbursements from each. MFA handled NOK 24.5 million in 1995 (18.4 per cent of actual use, cf. Table 1) increasing to NOK 190.3 million (53.5 per cent) in 1999. The figure for 1999 is misleading because a large GEF contribution for 1998 was disbursed in 1999. A more proper picture of MFA's share is shown by an average for the two

years: NOK 144.2 million (43.7 per cent). This represents a rapid increase in funding through multilateral organisations.

2.2.4 Geographical distribution

Table 3 shows how disbursements have developed in different regions over the period. The dominance of Asia was strong in the beginning of the period (1995: 49 per cent), but later fell to around 33 per cent. This reduction should be seen together with an increase in disbursements to Africa and global projects of different types, including projects through multilateral organisations. There is no significant difference in annual disbursement per project to the different geographical regions. Only the category multilateral organisations increases, for reasons explained above.

Table 3. Annual disbursements by geographical region in 1,000 NOK

| Region | 1995 | 1996 | 1997 | 1998 | 1999 | Sum | Per cent |
|----------------------------|----------------|----------------|----------------|----------------|----------------|------------------|--------------|
| Africa | 17,083 | 24,213 | 121,521 | 126,027 | 64,095 | 352,939 | 25.7 |
| Asia | 52,688 | 142,021 | 131,592 | 117,900 | 102,573 | 546,774 | 39.8 |
| Latin America | 8,833 | 4,703 | 7,646 | 7,636 | 16,119 | 44,937 | 3.3 |
| Oceania | | | 70 | | 1,091 | 1,161 | 0.1 |
| Global unspecified | 29,714 | 32,483 | 44,089 | 40,311 | 76,171 | 222,768 | 16.2 |
| Multilateral organisations | | 51,463 | 46,550 | 15,408 | 93,035 | 206,456 | 15.0 |
| Total | 108,318 | 254,883 | 351,468 | 307,282 | 353,086 | 1,375,037 | 100.1 |

The discrepancy for 1995 and 1996 compared to Table 1 is due to budget rearrangements.

In Table 4 the receiving countries are displayed. Only China, Indonesia, India, Mozambique, and Sri Lanka have received more than NOK 30 million over the period 1995–99. In addition to those listed, there are individual projects under NOK 1 million in Argentina, Malawi, Senegal, Thailand, Tunisia, Malaysia, and Azerbaijan.

Some comments should be made on the figures for China and Indonesia, having the largest volume of support. Both have been major recipients of the Asia Grant. In the case of

Indonesia the very high average per project is due to three projects with disbursements of NOK 10, 32 and 64 million. Disbursements for these took place during the first part of the period. In some countries, Tanzania, Sri Lanka, Namibia, Zimbabwe, Nicaragua, Botswana, Zambia, and Bangladesh, a relatively large number of projects has been supported, but with a low volume. In several countries, e.g., Cambodia, Swaziland, Bhutan, and South Africa, only one project was supported during the time period.

Table 4. Disbursements to individual countries, total for period, in per cent and annually per project

| Country | Total disbursement 95-99 in million NOK | Per cent of total | Annual disbursement per project in million NOK |
|------------------|---|-------------------|--|
| China | 161.7 | 11.8 | 1.6 |
| Indonesia | 132.8 | 9.7 | 4.2 |
| India | 53.6 | 3.9 | 1.6 |
| Mozambique | 38.0 | 2.8 | 2.7 |
| Sri Lanka | 30.5 | 2.2 | 0.3 |
| Laos | 26.0 | 1.9 | 3.3 |
| Viet Nam | 24.0 | 1.8 | 2.2 |
| Mali | 20.2 | 1.5 | 3.4 |
| Pakistan | 19.4 | 1.4 | 0.9 |
| Namibia | 18.6 | 1.3 | 0.6 |
| Burkina Faso | 17.2 | 1.3 | 4.3 |
| Niger | 14.7 | 1.1 | 4.9 |
| Zimbabwe | 12.0 | 0.9 | 0.3 |
| Mongolia | 9.0 | 0.7 | 4.5 |
| Nicaragua | 8.9 | 0.7 | 0.3 |
| Cambodia | 7.0 | 0.5 | 7.0 |
| Botswana | 6.9 | 0.5 | 0.1 |
| Tanzania | 6.1 | 0.4 | 0.2 |
| Brazil | 5.7 | 0.4 | 0.7 |
| Costa Rica | 5.5 | 0.4 | 2.8 |
| Swaziland | 5.0 | 0.4 | 5.0 |
| Zambia | 4.4 | 0.3 | 0.3 |
| Ethiopia | 3.6 | 0.3 | 1.8 |
| Peru | 3.5 | 0.3 | 1.8 |
| Bhutan | 3.0 | 0.2 | 3.0 |
| Uganda | 2.8 | 0.2 | 0.7 |
| Nepal | 2.4 | 0.2 | 2.4 |
| Bangladesh | 2.2 | 0.2 | 0.1 |
| South Africa | 1.3 | 0.1 | 1.3 |
| Papua New Guinea | 1.1 | 0.1 | 1.1 |
| Egypt | 0.3 | | 0.2 |

Not included in the table are some regional unspecified projects, global project and projects in multilateral organisations.

2.2.5 Types of projects funded

The overall sector coding for projects in NORAD's database was changed from 1999. Although more detailed, the sector coding is different, which makes it difficult to see how disbursements are split between sectors. However, with both systems a large part of Grant allocations (56 per cent) are categorised as unspecified environmental activity, while 18 per cent have been coded for the sectors of agriculture, forestry and fisheries and 6 per cent can be called public technical infrastructure projects.

Annual disbursements per project are as low as NOK 0.2 million for projects in the sectors of education and R&D, whereas disbursements in the sectors of agriculture/forestry/fisheries are NOK 2.1 million. The corresponding figure in the sectors of public technical infrastructure is NOK 1.9 million. For the years 1995-98, 15.2 per cent of funds was channelled through NGOs: 3 per cent through Norwegian NGOs, 3 per cent through local, 0.6 per cent through regional, and 8 per cent through international NGOs. The average volume of annual disbursements to NGOs was NOK 0.5 million, varying from 1.7 for Norwegian NGOs to 0.2 for local NGOs. 15 per

cent of funds were allocated to multilateral projects, 61 per cent to bilateral projects and 24 per cent to multi-bi projects. The Grant has been an important source for the “soft” part of mixed credits to contracts between Norwegian industry and partners, primarily in Asia. This

practice was followed in the years 1995–97, but then phased out. The largest number of projects was for China (11), whereas three projects for Indonesia alone cover 58 per cent of the funds spent for this project type.

3 Methodology of Evaluation

The evaluation was carried out in two phases to ensure the most effective use of the time and resources available. The first phase consisted of data collection, stakeholder interviews and desk study of a sample of 30 projects and an expanded database of 82 projects. The second phase encompassed field visits to four countries as well as a visit to Washington and telephone interviews with Embassies and other agencies.

3.1 Phase I

Sampling methodology: 30 projects were selected for the five years of funding from the Grant from 1995 to 1999. Six projects were chosen from each year to cover both the financial and geographical range of the Grant. Many projects have been funded across several years and therefore information was requested for the whole project where possible, although the sample references each project as a single year or disbursement for identification purposes. No selection was made on the basis of the type of activities.

An initial request for documentation from the archives of both the MFA and NORAD was made by KanEnergi followed by a visit by the whole team to inspect the files. A number of follow-up visits to the archives were made by KanEnergi to locate further files. Further requests were made by ODI to Norwegian embassies for documentation on projects in the sample managed at embassy level.

To be able to evaluate the Grant as an instrument, the evaluation team interviewed staff members at the MFA, NORAD and MoE to discuss management practices. The interviews also gave opportunity to discuss some of the sample projects in detail. Further, the team has studied printed material and documents from the archives of MFA, MoE and NORAD on the general management of the Grant.

Information has also been collected on some 52 “extra” projects, which were analysed in addition to the original sample. Interviews and meetings with NORAD, MFA, embassy and project staff suggested that certain projects reflected a particular aspect of the Grant or represented a significant percentage of the Grant expenditure for the year. These additional projects have been analysed separately as they skew the original sample. The larger sample, however, remains useful as an example of project goals and objectives.

3.2 Phase II

The second phase was a series of country visits both to interview embassy staff and to analyse *in situ* documentation. Following discussion with the MFA, the countries were selected on the basis of regional diversity, relative importance of the Grant, capacity of the specific embassy to meet the teams’ needs for documentation, or a significant change since the last evaluation. Countries and cities visited were:

- Dar es Salaam, Tanzania
- Delhi, India
- Dhaka, Bangladesh
- Ha Noi, Viet Nam

Further interviews and country visits were made to multilateral partner agencies that had received funding from the Grant during the evaluation period. These were:

- UNDP project office in Vientiane, Laos PDR
- World Bank, Washington DC, USA
- Global Environment Facility, Washington DC, USA

Throughout phase two in-country interviewees, embassy staff and agency staff provided the evaluation team with information, not only on

the sample projects, but on the wide spectrum of projects for which they are responsible. Where possible, the historical context of Grant use in the past compared with the present was explored. Data from in-country Grant portfolios were also added to the enlarged database by the visiting member of the evaluation team for subsequent analysis following that of the sample database. In addition, an expanded desk review of Special Grant projects in China was carried out.

The members of the evaluation team reported on the use of the grant in the countries visited, including the range of projects assessed, the administrative and environmental capacity and any recent changes in grant use (cf. Boxes). The evaluation team met in Oslo to synthesise the findings from phase one and two and to develop conclusions and preliminary recommendations.

| Phase One: outputs | Phase Two: outputs |
|--|--|
| <ul style="list-style-type: none"> • Summaries of the sample projects for which data was available • Analysis of the database • Results of the interviews in Oslo | <ul style="list-style-type: none"> • Country Grant project assessments • Country environmental and administrative capacity assessment • MLA grant use and capacity assessment • Results of agency and embassy staff interviews |

A presentation was given to Oslo-based stakeholders on 11 October 2000, followed by a seminar for feedback and discussion of the findings and recommendations. Following

standard MFA procedures, the evaluation team has also received comments on facts etc. before finalising the report.

4 Findings of the Study

Results of the evaluation are presented in chapters 4 and 5. Findings of the study (4) include analysis of project results, project and Grant management. The discussion of the Grant as a political measure is presented in “The Grant as an Instrument” (5).

4.1 Project results

4.1.1 Data sources

Documents were collected on the sample projects initially from the archives in Oslo and this was followed up by further requests to the relevant embassies. The larger sample of 82 projects was prepared based on documentation accessed in the course of field visits and results from this sample are given in Annex 3. The database relies on information available in the project documents and from project officers and therefore the results are not based on an independent assessment of individual projects. The project documents collected from in-country visits have been verified where possible for projects visited.

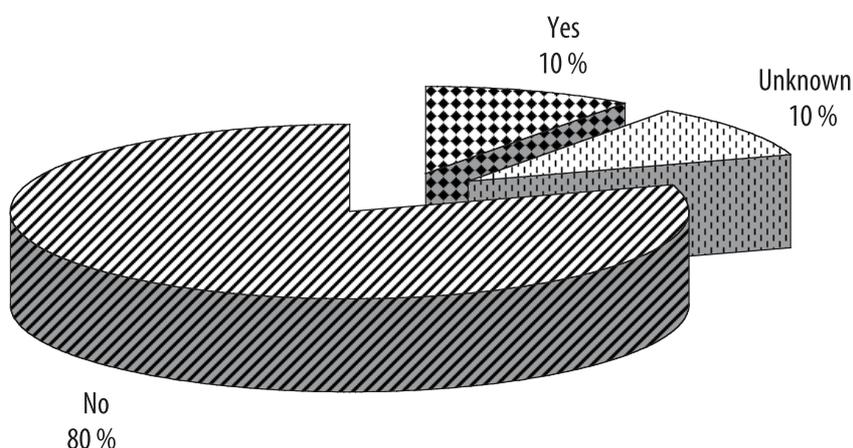
4.1.2 Documentation

The level of documentation and detail on the files has often been found to be good. However, it was difficult to *access* the information, as it is not centralised. This adds to the evidence that the Grant is *not* considered to be a coherent

entity by those who use it and is recognised as such even less by the beneficiaries. The lack of assessment, steering committees or appraisals of projects on a national and international scale indicates the reliance on existing Norwegian policy for project design rather than a subsidiary set of criteria established specifically for the Grant. This has led to the use of the Grant being fragmented with little monitoring or control. The fragmented nature of the documentation reflects the impact that a broader policy of decentralised management responsibility has had on the Grant. Responsibility has been designated to project officers in the embassies to such an extent that even those projects officially controlled by MFA or NORAD may in fact hold very little documentation at the archives in Oslo.

There were external reviews for 10 per cent of the projects in the sample as shown in Figure 1. External reviews are only required for projects over a certain size, which illustrates the lack of follow-up of smaller projects that was found more generally by the evaluation team. It was notable that for small projects there were no alternatives to external reviews such as internal appraisals of project outcomes, or any system of gauging whether a project met its goals successfully.

Figure 1. Does an external review exist?



The lack of overview information (i.e. Internal Reports by NORAD/MFA on the success or failures of the Grant, targets, goals, review of activities) suggests that apart from external evaluations no one is looking at the Grant as an entity and monitoring its progress towards definable goals. It is being used as a decentralised form of funding for projects under the very broad environmental remit. Although it is difficult to see from the documentation how the Grant projects are contributing to the broader goals of the National Environmental Strategies or the environmental priorities agreed between the Embassies, NORAD and the MFA, background interviews revealed that projects are designed to reflect these strategies. The political priorities stated for environmental development co-operation (1998–2001) centred on recipient responsibility and pro-poor focus. The recipient focus of Grant projects is high, as is shown in figure 4, although for a number of projects it was not possible to determine from the documentation whether it was recipient-driven or to what extent technical assistance was provided in project design. The focus of the documentation appears to be on the initial suitability of a project for funding rather than the outcomes and their environmental impact.

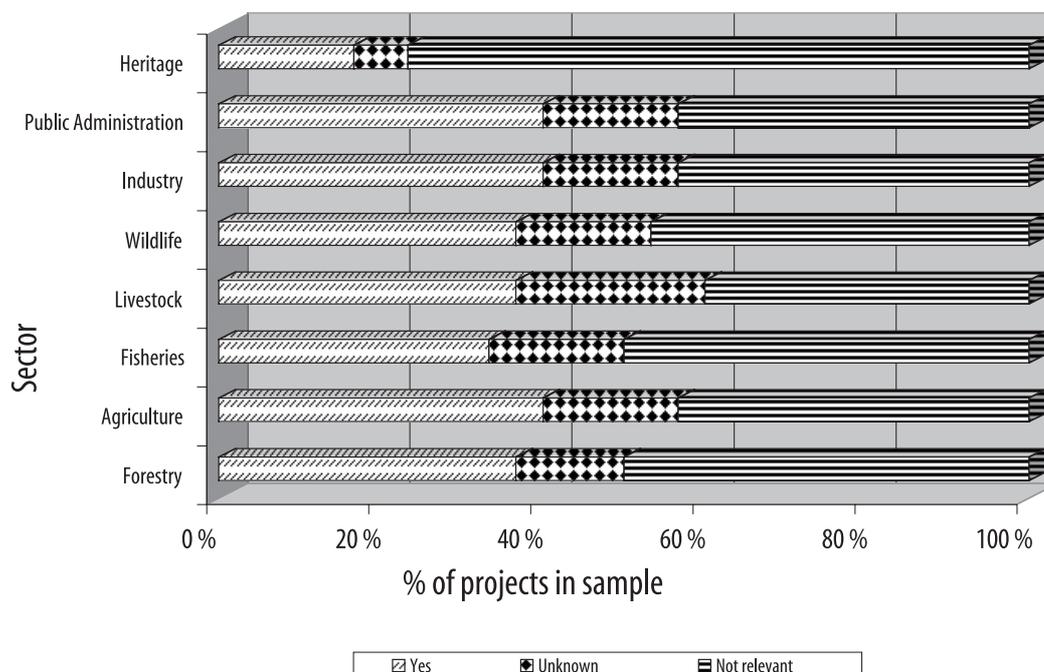
For effective monitoring of whether development targets such as poverty reduction are being met, assessment of project results should identify the environmental and poverty impacts.

There were slight differences in the reports received according to the administrative body in charge of the project. This reflects both the extents to which the internal structure is geared towards project management and the nature of the projects that it handles. In the example of the MFA, many of the projects are large-scale, ongoing projects or are only partially funded for a single phase, which may not generate a “final report” as such.

4.1.3 Analysis of sample projects

The distribution of the sample projects was very evenly spread across a wide range of sectors, as shown in Figure 2. This illustrates that one of the most successful elements of the Grant is the flexibility with which the various implementing authorities and their project officers can use it. It has also been commented on in interviews and through communications with embassy staff that the freedom that is associated with Grant funding is one of its greatest attributes.

Figure 2. Sector relevance of projects



The application of the Grant to a wide variety of different sectors is also reflected in the broad range of partner organisations that have been involved in project implementation. Only the main partner agencies have been systematically identified for the purposes of the sample but it is clear that a large number of smaller NGOs and other organisations have also been involved. The diversity of partner organisations, as shown

in Table 5, indicates the success of the Grant in building relationships between the Norwegian governmental institutions and other national and international environmental bodies. The importance of integrating environmental operations in this way between governments and with non-governmental organisations cannot be overstated.

Table 5. Most common partner agencies in the sample of 82 projects

| | | |
|------------------------|-----------------|------------------------|
| UNEP | Asia Foundation | SIDA |
| UNDP | World Bank | FINNIDA |
| IBRD | IUCN | LONRHO |
| SIDA | CARE | Dutch Foreign Ministry |
| FINNIDA | IIED | CIDA |
| LONRHO | UNEP | Asia Foundation |
| Dutch Foreign Ministry | UNDP | World Bank |
| CIDA | IBRD | University of Oslo |
| Toten ecomuseum | | |

The sample projects can be further categorised according to national, regional and international scope and different activities such as infrastructure support, environmental education, information dissemination and NGO support. An example of a project supported by a number of different collaborating agencies for

the benefit of community-based organisations is the Sungi Development Foundation Project in Pakistan (see Box 2 below). This project illustrates the potential for funding environmental projects in collaboration with other international organisations, which the Grant has been successful at encouraging.

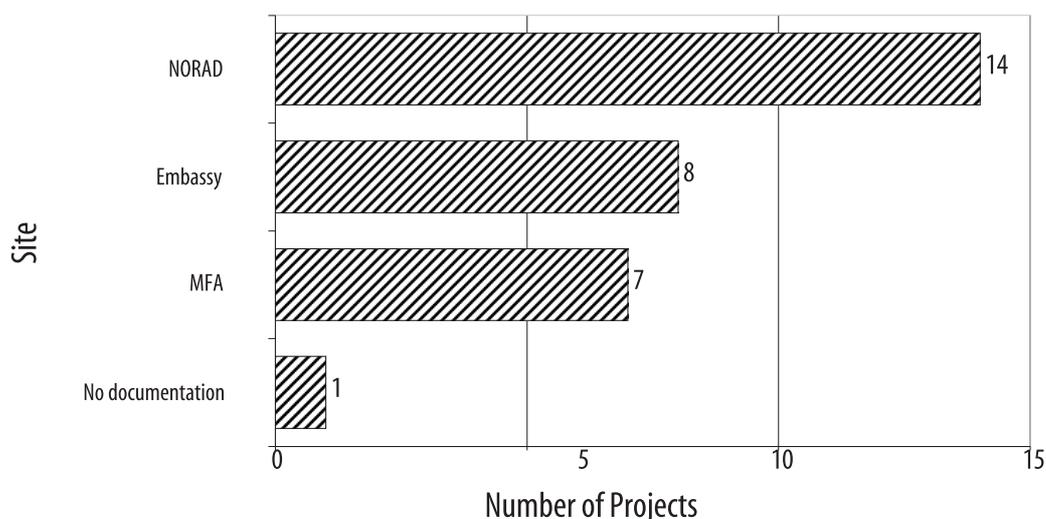
Box 2. Grant funding of community-based organisations through collaboration

The Sungi Foundation produced a four-year technical proposal (January 1998–December 2001) for “The Hazara Integrated Rural Development Programme Through Community Mobilisation”. NORAD agreed to make a financial grant totalling NOK 8 million over the four years. In 1998 NOK 75,000 came from the Grant. Other donors include CIDA, the Dutch Government and the Asia Foundation. Under the agreement, Norwegian aid money was used to fund the Advocacy and Training component of the Sungi Integrated Rural Development Programme as well as providing some core support.

The Project aimed to address economic and social inequalities in a rapidly deteriorating environment. The principal beneficiaries were 150 Village Organisations and Women’s Organisations in the four districts of Hazara Division. The main objective was to undertake integrated rural development in the project area by combining community development with advocacy. NORAD’s particular focus was on building the institutional capacity of communities to implement and manage their own programmes and of farmers to mobilise indigenous knowledge for enhanced natural resource management and resource access. The main activities were the development of a social mobilisation and civil rights training module, a gender training module for social organisers and a Sungi coalition campaign strategy. The Sungi Foundation is apparently thriving; it produces extremely detailed six-monthly progress reports, which indicate that it is making good progress towards all its development objectives.

Responsibility for the sample projects’ administration is assigned to three institutions, the Ministry of Foreign Affairs, NORAD and the

embassies (see § 4.2 and Figure 3 below). The breakdown of the responsibility for the sample projects is as follows:

Figure 3. Administrative location of projects

Broadly speaking, NORAD predominates with larger projects with a typically regional focus and often reflecting more closely political priorities within Norway, the Embassies manage smaller, responsive projects often initiated through personal contact and MFA, multilateral projects with typically larger disbursements spread over fewer projects.

Projects that centred on national environmental issues tended to focus on institutional capacity building such as the Ministry for Co-ordination of Environmental Affairs (MICOA) in Mozambique. The Ministry was partly funded by the Grant from 1996–98, although this was only a small part of a longer-term strategy of support for development of the National Environmental Management Programme (NEMP). Funding for “Bridging support to the National Environmental Commission” of Mozambique began in 1994 with combined support from NORAD and UNDP, although the Grant was not used until 1996. Support to MICOA has improved the institutional capacity through increasing professional staff, training, equipment and project funds. A further outcome is the drafting of an environmental law, which was approved by the Council of Ministers for

submission to the Assembly of the Republic. It is very difficult to differentiate between the results of the overall Norwegian funding to MICOA and those specifically generated by the Grant funds. The majority of the projects in the sample have been generated by requests by recipients which again illustrates the flexibility of the Grant in that it can be applied to such a high number and wide variety of requests (see Figure 4 below). A number of projects in the sample have focused in some way on environmental information gathering and dissemination. The activities of three projects that concern information dissemination are outlined in Box 3 below and the processes of extending the capacity to analyse and disseminate could usefully be applied to the results of all Grant projects. Project results could be collated and disseminated via an internal newsletter among project officers and environmental staff. Project updates and discussion could also be held on a designated website for ongoing environmental projects. Project results could also be grouped according to sub-topics and edited for external dissemination in selected media to inform the broader environmental community and enhance public debate.

Box 3. Environmental information dissemination through Grant projects

International Institute for Sustainable Development: Earth Negotiations Bulletin (GLO INT 1997)

NORAD supported the Earth Negotiations Bulletin (ENB) through the Grant in 1997 (NOK 110,000) and 1998 (NOK 112,000). The ENB is published by the International Institute for Sustainable Development. The bulletin provides a publication printed on both sides of a single sheet that is distributed each day to participants at UN negotiations related to environment and development. The bulletin is also made available in electronic format on the international computer networks. In 1997 the Bulletin covered The Framework Convention on Climate Change subsidiary meetings and the Third COP in Kyoto, and meetings of the Convention on Biological Diversity, the Convention to Combat Desertification, the Commission on Sustainable Development and the United Nations Special Session to review the implementation of Agenda 21.

Global Resource Information database (GLO UNEP 1996)

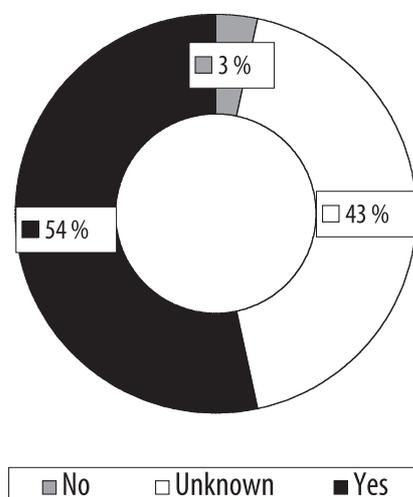
This project was funded by the Grant through an agreement between the Ministry of Foreign Affairs and the United Nations Environment Programme. The contribution in 1996 was NOK 1.4 million and NOK 375,000 for a workshop. UNEP also received NOK 15,408,000 in 1998 as a general contribution for both 1997 and 1998 (NOK 7,704,000 each year).

The project is phase II of a joint project between UNEP and CGIAR on the use of Geographical Information Systems in Agricultural Research to create long-term links between the two organisations. The second phase focused on the institutional development based on the needs identified in Phase I. The continuation of the UNEP/GRID-CGIAR network was intended to improve awareness among the CGIAR centres, improve capacity-building and training and improve data handling. The long-term self-sustainability of the network was intended to follow the end of phase II in 1998. The final report in 1999 confirmed that nine out of the 16 CGIAR centres' director generals had joined the new "consortium on spatial information for agricultural research" at the end of the project and at their own costs, confirming the value of this type of networking. Long-term outputs of the project include:

- Natural resource and socio-economic GIS datasets relevant to agricultural research;
- Operational global and regional data distribution mechanisms based on the UNEP/GRID and CGIAR networks;
- Staff at IARCs (International Agricultural Research Centres) trained and experienced in effective use of GIS in agricultural research
- Use of integrated data and information in planning and execution of research for sustainable agricultural development.

This type of programme support both to MLAs and NGOs has been very successful and undoubtedly explains why this type of funding has increased year on year.

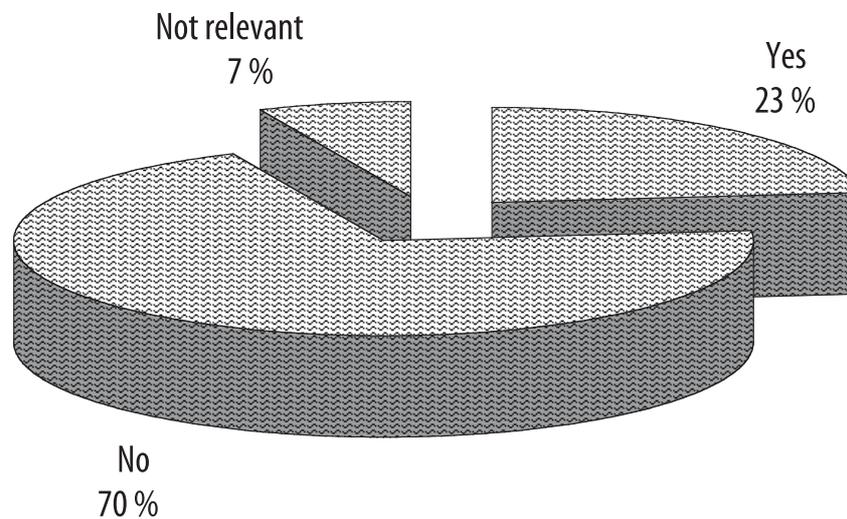
Figure 4. Did the recipient initiate the request?



The flexibility of the Grant and the fact that it can be used to foster valuable inter-organisational relationships with environmental bodies throughout the world are very positive factors. However, the overriding finding is that there is insufficient evaluation of the individual project results, which leads to a lack of co-ordination and analysis of the environmental

impact of projects and the Grant as whole. The Grant therefore funds development projects with an environmental focus but there is no specific strategy that defines what that environmental focus should be and no benchmarks to assess whether the goals that are set by projects are achieved.

Figure 5. Does a completion report exist?

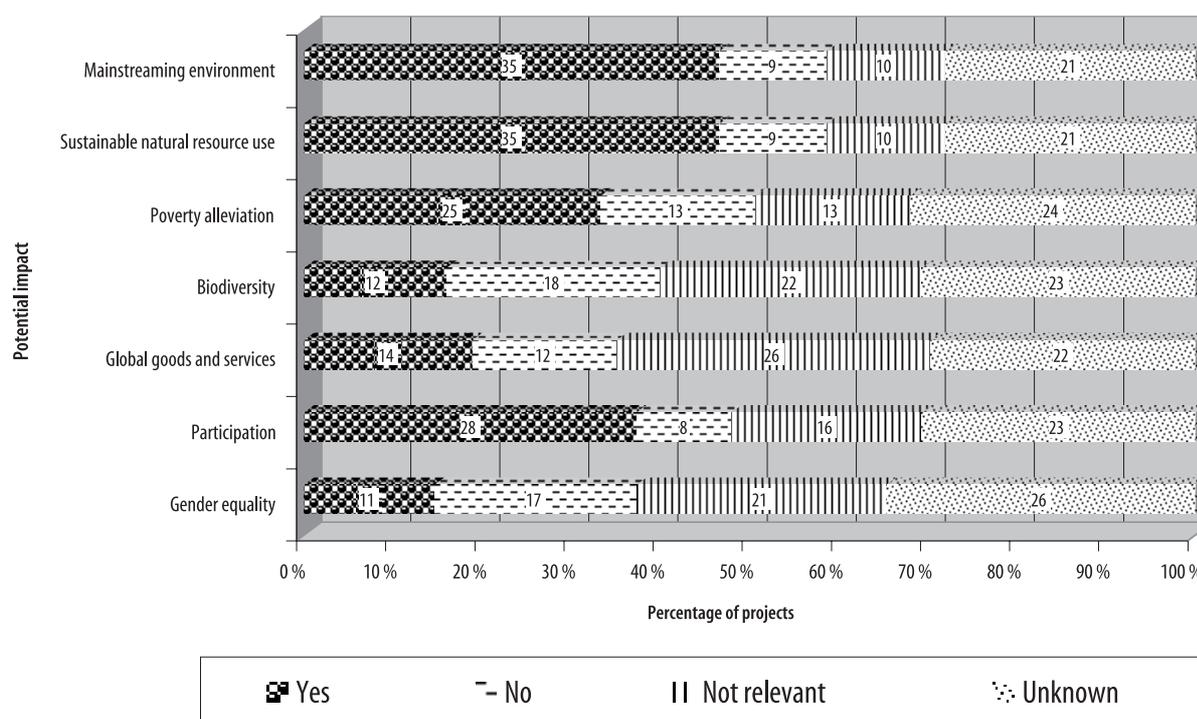


The fact that so few projects have completion reports on the files is not solely due to the fact that some of the projects are ongoing. A number of completion reports that do exist are notable for the time elapsed between the project ending and the submission of the report. Figure 5 shows the incidence of completion reports in the sample.

In terms of project impact it seemed useful to examine as large a sample as possible. The

analysis therefore included all 82 projects in the database. Each project was coded by team members according to its relevance to key environmental topics and according to the documentation on the file. Obviously some topics are simply irrelevant to the project in hand, in other cases it was impossible to tell from the documentation concerning the potential impact. Figure 6 shows the results;

Figure 6. Categories of impact for 82 environmental projects based on project documents



The low rating of categories such as biodiversity indicates that they were either irrelevant to the project or not discussed in the documentation.

4.2 Management practices

4.2.1 Government budget cycle and responsibility

Formal budgetary responsibility for the Grant lies with MFA, but is partly delegated further to NORAD. These are the only ones allocating resources directly from the Grant. MoE is also involved, but less formally. The annual Government's Proposition to the Storting describes levels of funding and objectives, guidelines and purposes. The Proposition also includes a report to the Storting on previous allocations. Based on the budget decision in the Storting, it is the MFA's responsibility to implement the policy, to ensure a proper control of spending and to establish a system of reporting back on results and impact. A formal line of responsibility thus follows the Grant through MFA and the individual allocations to NORAD and each project, which constitute the annual budget cycle. The priorities and

guidelines are expressed in the proposition, together with possible comments from the Storting, and the Strategy for Environment in Development Co-operation of 1997. More long-term policies derive from White Papers such as Report no. 19, and strategy documents.

Very few documents set out a specific strategy for the Grant. Similarly, very few management routines are established for the Grant, besides those required for proper planning and accounting of this particular budget item. The effect of the Grant on management today is surprisingly low. Seen from outside MFA, the Grant may be perceived as the main instrument for environment in development, even if it is only a part of the actual spending. There is no need to question the Grant's impact in its earlier years on capacity-building and displaying a political priority. Today, most personnel involved see the significance of the Grant mostly in its earmarked allocation for environment and as a guarantee against giving lower priority to the environment by actors with a role in management.

Box 4. Relevant policy documents

- Annual Budget Proposition to the Storting for Ministry of Foreign affairs (St.prp. nr. 1)
- Report No. 19 to the Storting (1995–96), *A Changing World. Main elements of Norwegian policy towards developing countries.*
- *A Strategy for Environment in Developing Co-operation*, Ministry of Foreign affairs, 1997.
- Guidelines for the use of Special Grant for Environment (decision of 22 November 1993, in Norwegian).
- Political Priorities for environmentally oriented development co-operation 1998–2001. (October 1998, in Norwegian).
- “Chapter 155: Main priorities for the part of the Grant that is managed by MFA” (January 2000, internal, not published in Norwegian).

4.2.2 Ministry of Foreign Affairs

The MFA splits the Grant into a number of categories based on proposals and assumed needs. The main parts are:

- Annual allocation to NORAD;
- MFA’s Multilateral Department activities in UN and Bank sections;
- MFA’s Department of Natural Resources and Environmental Affairs’ activities.

Internally the allocations are made through a memo with the relevant signatures. The memo has normally not given any guidance as to the Grant spending, although there is reference to the budget proposition, Strategy of 1997 and guidelines, implying decentralised responsibility. For 2000 a memo (of 21 January 2000) outlines the priorities for the funds not already tied up. The allocation to NORAD also has little guidance on the Grant.

In the Multilateral Department, and some multilateral agencies served from other departments, the volume of spending is large, and concentrated in only a few initiatives. Examples of projects supported are the annual contribution to the Global Environment Facility (GEF), general support to UNEP, World Bank projects on Sahel and Natural Resource Management. The Grant is an additional source of funding enabling MFA to demand initiatives in the development of strategies, competence and concrete projects in MLAs. Grant use is thus integrated in the current policy development dialogue with the multilateral

agencies. With a limited number of agencies, the management in this area is different from other Grant spending and the department devotes considerable attention to strategy development. Results and impact are hard to verify, although the team acknowledges the officers’ own conviction that these initiatives largely have a positive impact.

Other allocations from MFA are diverse, in line with its intention to follow up on political initiatives relative to the environment and to give support to interesting projects outside NORAD’s brief. Almost all projects are based on proposals presented to MFA, even if there is no announced funding arrangement. With an element of innovation, it is thought that successful initiatives should later lead to ordinary projects under the auspices of NORAD and MFA’s Multilateral Department. These allocations have a more short-term perspective. Examples of beneficiaries of this type are: Support to World Commission on Dams, Guinea Worm Eradication through UNICEF, and various small allocations to seminars etc. Documentation on these projects is highly variable, reflecting a portfolio that is not established according to a detailed strategy and programme, and the Ministry’s lack of standardised project management procedures. Officers in MFA value highly the flexibility offered by the Grant, such that funds are available through the year to follow up on sudden needs. Many of those interviewed also mentioned a need for funding earmarked for environmental purposes because these issues are still not properly integrated.

4.2.3 NORAD

The Grant is one of a large number of chapters constituting the annual budget. The Strategy of 1997 and the allocation letter, combined with a more informal dialogue with MFA, form the main elements for NORAD. NORAD receives little guidance on the use of the Grant, and has not yet completed a strategy on its own initiative to follow up on the Strategy of 1997. On the contrary, the Grant is often referred to as an extra subhead giving reduced budget flexibility.

Within NORAD, funds from the Grant are allocated to departments and embassies based on presumed need. At headquarters, the Regions Department holds the main budget responsibility. In the first years of the period in question the Industry Department also used the Grant. The Technical Department has normally no direct role in management, but is asked by other departments or embassies to assist as an advisor or expert in project assessments, country strategy developments etc. Following a long period of discussions and projects to assure environmental competence within Norwegian aid administration (including the Environment Project 1996–98), a system of Resource Centres was established to draw on within Government environmental institutes and directorates.

In the main co-operating countries and where Norway has NORAD personnel integrated in the embassy, the responsibility for projects below NOK 15 million is delegated to the embassy. The whole project cycle is administered locally and the documentation kept in the embassy's files. The process and decision on Annual Work Plan and Country strategies is thus the main instrument used by NORAD to influence the management of smaller projects and to ensure coherent practice.

The manual of Project Cycle Management is largely followed, with some simplifications on smaller projects. The Grant and environmental projects undergo the same procedures as other projects. The main elements are the request from the partner (or recipient), appraisal and appropriation leading to an Agreement. In the

follow-up phase, progress reports and dialogue are important milestones. At the end, the Final Report and an assessment will normally form the basis for NORAD's completion document.

The still undelivered *Handbook on the Environment* and a large organisation with constant changes of personnel make it difficult to achieve a consistent and well-developed environmental performance. This is not a reflection on the competence of the Technical Department – or indeed the whole organisation – in project management in general. Officers at NORAD acknowledge that the geographic flexibility of the Grant permits the funding of projects outside the main partner countries. Some expressed concern that if the Grant were to be terminated it would signal reduced commitment to long-term support to the environment.

4.2.4 Ministry of Environment

The Ministry of Environment (MoE) does not hold formal budget responsibility for the Grant, but is still involved at different levels: first, MoE has had from its inception a supervisory cross-sectoral role on issues relevant to environment. This role, executed in a number of policy areas and ministries' premises, is a difficult one, and can easily become a source of friction. A Contact Forum for Environment in Development Co-operation involving MFA, MoE and NORAD meets regularly and is an important arena for discussions and information exchange. Second, MoE is responsible for Norway's role in international conventions on the environment, such as the CBD. Within a limited portion of the Grant, MoE has a major influence on support to representatives from developing countries taking part in conferences and negotiations. Third, MoE is responsible for the Memoranda of Understanding (MoU) with China and Indonesia. The Grant has been an important source of funding for projects under these agreements, and MoE has been given the final say on a certain sum each year. This role and their involvement beyond the agreed sum is mainly in the project initiation phase, until an agreement is negotiated. Fourth, MoE supplies

expertise to NORAD on public management of environmental and natural resources.

Even today, the discussion continues on the interpretation of the MoE's responsibility. Although this is not constantly under review, the MoE thinks in terms of shared responsibility between the two ministries, whereas MFA refers to constitutional formalities. The strong influence MoE is given over a minor element in the Grant seems to be a compromise, but hardly an efficient one.

4.2.5 The impact of decentralisation

The decentralised nature of responsibility for Grant management explains its diffuseness. Even if the Grant has a distinctive role in an individual country strategy, for one department etc., there is no clear common denominator. This finding seems like a lost opportunity to allow the Grant to play a role in meeting the objectives outlined. Given this situation, any review of management practices must overlap with a review of the overall style of NORAD and the MFA. Documentation is generally variable: documents that should be in NORAD files were

not always found although they may well exist. Project documentation that is not available precludes the possibility of learning from previous experiences. As a consequence, there is an imbalance in the focus of project initiation, including agreement negotiations, versus the evaluation of outcome. This is most obvious in some MFA projects, but also occurs within NORAD's sphere.

Although in some cases funds are withheld until the report is submitted this is not general and projects tend to receive funding early in the project cycle. By the time most projects reach completion they are largely forgotten by the institution that "owns" them. The results are rarely documented in terms of environmental impact, let alone lessons learned and opportunities for replicability and wider dissemination. There is also little emphasis on performance targets in the project initiation stage. This appears to be a waste of an opportunity to enhance the internal capacity of the Norwegian Institutions and enrich the wider environmental community.

Box 5. Tanzania

The Grant has played a modest role financially in environmental activities in Tanzania over the period. In 1995–98 NOK 6 million was allocated on 36 projects. Since 1999, the Grant has not been used in Tanzania although “Grant-type” projects are still financed under the Regional Fund. Total Norwegian aid to Tanzania in 1999 was NOK 388 million, mainly for government-to-government programmes. In 1994 an agreement on the Management of Natural Resources Programme was signed with the Ministry of Natural Resources and Tourism (MNTR), covering areas as capacity-building, mangrove management and regional natural conservation. The programme has a volume of NOK 120 million over a period of four years financed over the Regional fund.

The Grant has been given a complementary role to the MNTR programme. Projects financed over the Grant for the most part include NGOs, and environmental sectors other than natural resource management. The portfolio includes support to JET (Journal of Environmental Journalists) and Cleaner Production Centre of Tanzania – established under the umbrella of UNEP/ILO. Other projects are support to Envirocare on pesticide use and alternatives to pesticides, and TaTEDO on developing renewable energy equipment, training and assistance to local producers. One Government programme is also financed from the Grant: the support to capacity-building in Division of Environment of Vice President’s Office. An evaluation (1999) of Norway–Tanzania co-operation gave positive marks for the environmental programme, including Grant projects.

The embassy in Tanzania has seen the Grant as a way to widen the network and to stimulate projects outside the Government. Project initiation has largely been in response to applications. The diverse nature of the portfolio and the limited staff capacity prohibit active project involvement.

The embassy has a well-developed dialogue with NORAD at home. The Technical Department is used on various occasions, and the annual workplan involves both parties, although seldom on Grant projects. The documentation found on Grant projects is well organised and filed. Documentation shows systematic control of expenditures although the development impacts are seldom highlighted. Some activities have after a period been included in the country frame agreement, proving that the Grant has had an innovative function. The contacts established with NGOs have also given the embassy a wider basis for discussions on the country strategy.

There is a forum for information exchange on environment issues between donor countries in Tanzania, but few examples of project co-ordination. The embassy is not systematically informed and involved in projects financed from Oslo through MLAs and NGOs.

Box 6. India

The environmental programme in India is based on the MoU signed in 1983 between Gol and GoN. Today the environmental programme is one of the largest components of aid to India. Since 1995, India has not been among Norway’s prioritised developing countries. The priority sectors in Norwegian assistance to India are environment, basic education, assistance to women, and cultural co-operation.

The environmental programme in India has been funded through several sources, e.g. the Regional Grant, the Special Grant for Environment, and the NGO grants. The support in the environmental sector is today concentrated in two states, Himachal Pradesh and Karnataka, while the NGO-related environmental projects have a wider geographical distribution. The environmental programmes have either an urban dimension, primarily waste management, capacity development and institution-building or a rural dimension promoting sustainable natural resource use. Most projects are of pilot or demonstration character and often with a large institution-building component. In India, the MoU and the yearly negotiations between Gol and GoN set the framework for the aid in the environmental sector. The strategy of the Government of India in this sector, at least on paper, coincides with the Norwegian Environmental Strategy. When India was taken off the list as a prioritised country the effects in the environmental area would have been large, if the “Asia Grant” had not been created in 1995. The Special Grant has been instrumental in keeping the environmental programme going in India and forms the backbone of the environmental work at the embassy.

The environmental programme is well managed and the impact at the institutional level is probably considerable. The embassy clearly does not consider the Grant *per se* as important from an environmental point of view as environment is a major priority area. The Grant is treated as a source of funding that can be used as long as it fits into the MoU and yearly plans and as long as it follows the very general guidelines given in the Norwegian Environmental Strategy. There are discussions on the role of the special grants as instruments to further special objectives especially against the context of a discontinuation of the Grant. The consequences of such a discontinuation would have large negative effects on the work in the environmental sector if funds were not allocated over other sources. Presently the embassy is engaged in formulating an overall strategy on how environmental aid to India should be organised and mainstreamed. The overall management of projects supported by the Grant is by the recipients. The sustainability of the Environmental Programmes is probably quite high for the institution-building, while the NGO projects, being of pilot and demonstration character, probably are of low sustainability. The internal reporting system and general documentation is good and external evaluations are done for all the major projects. There is a high competence at handling environmental issues at the Embassy.

Box 7. Bangladesh

The Memorandum of Understanding signed in 1995 determines the aid programme in Bangladesh and the environment is not a priority area in this document. Environmental problems, which abound in Bangladesh, are generally not on the agenda at the yearly meetings or in the yearly workplans and the aid programme thus has only a small environmental component. There has only been one major Grant-supported project in Bangladesh and that is the National Conservation Strategy Implementation Project I, which was started in 1994. It is still running although it should have been completed 1999. Planning for a second phase of this project is being discussed in Dhaka. This project is an outcome of earlier support given by Norway to help the GoBd to formulate a National Conservation Strategy. The Project has so far led to a number of practical projects undertaken by the GoBd such as different resource management plans in ecologically sensitive areas. The guidelines formulated by this project regarding Conservation strategies in relation to the primary productive sectors (agriculture, fishery and forestry) are to be used for the Economic Planning by the Government of Bangladesh. The impact of this project has thus been considerable within the administration. Although a number of NGO projects were funded earlier through the Grant, the funds are presently so small that support to such projects in the environmental sector has been discontinued. Before 1995, the scale of funding was markedly higher.

There is a Norwegian Programme Officer looking after the environmental projects at the embassy but no Norwegian personnel specially appointed to handle environmental issues. Much of the work in the environmental area is handled as a part of the general work at the Embassy. There is one local adviser employed to handle environmental issues. The capacity of the Bangladesh embassy for undertaking and working with environmental questions is therefore underdimensioned and need to be strengthened. This is reflected in documents; thus, for example, the embassy in its Annual Report 1998 mentions its lack of capacity to handle issues allocated over the Asia Grant. There is a good support on subject-matter issues from NORAD (Oslo), but this cannot solve the need for operationalised guidelines in the environmental sector. The embassy on technical matters relies on the specialists at NORAD (Oslo) and support and co-operation are working very well thanks to the continuity in the handling of environmental issues. The National Conservation Implementation Project is well in line with the Strategy for Environment and Development. The lack of central guidelines is, however, a problem.

The use of the Grant shows how a strategic impact is achieved in an area which otherwise would have been downplayed or neglected due to lacking competence by the Government of Bangladesh. One effect of the National Conservation project has been to increase not only the institutional capacity to handle certain environmental issues, but it has also been used for the National Environment Strategy and in overall economic planning. It should also be mentioned that this project has been a co-operative effort also involving IUCN. Another consequence is that parts of the National Conservation Project are being taken over by UNDP using information and findings from the Norway-supported project.

Box 8. Viet Nam

The programme in Viet Nam is relatively new since it is linked to the Embassy there, established by the present Ambassador. However, prior to this, programmes of co-operation between the Vietnamese government and Norway had been established through the oil industry and the successors of these programmes loom large in the overall country programme. The transfer of a NORAD staff member to Ha Noi is acting to improve oversight of in-country projects.

The profile of aid projects in Viet Nam is unusual compared with most other countries; because the Viet Nam government does not allow unvetted NGO applications there are a few large projects and no small projects in the environmental field. The overall style of projects is very much government-to-government co-operation, with meetings between ministry staff and embassy staff. The level of commitment of Vietnamese officials is very high, in marked contrast to some other countries, and the reporting systems work very effectively. Viet Nam also offers a useful example of a collaboration with an MLA, FAO in this case, where the intention is to diffuse ideas about Integrated Pest Management (IPM) and counteract the high-input systems previously in place. This is not only much needed, but seems to be very effective to date, in part because of the commitment of the Vietnamese agronomists and the FAO staff.

The rationale for funding of projects under the Grant in Viet Nam is not always clear. For example, the typhoon warning system, whereby floating marine monitors give advance indications of possible typhoon strikes, seems to be having a significant impact. However, it is *not* defined as environmental, whereas support to a conventional fish-farming project and collaboration with Petro Viet Nam, particularly on mapping, *are* in part funded under the Grant.

Box 9. Laos

Norway has no direct presence in Laos, but a series of projects originating as far back as 1995 are being executed through UNDP. These were previously managed from Oslo, but were transferred to Ha Noi in August 2000 to enable more direct supervision. The environment has a high profile in overall spending in Laos, although a feature that has attracted many other donors, biodiversity conservation, is not represented. Indeed, the largest project, the Solid Waste Management project, appears very equipment-driven. It was striking that in the case of this project, a key element, the Community Awareness Programme, was only financed after a recent Mid-Term Review. Similarly, discussion of the water quality laboratory focussed more on water quality analysers than on changing community behaviour.

Long start-up periods are a notable feature of the projects, accompanied by a series of consultants' reports. Although conditions are difficult in Laos due to its ravaged infrastructure, many delays appeared to be internal to UNDP. The UNESCO-managed Heritage Project in Luang Prabang to train monks to restore temples was "about to start" in September 2000 after delays in transferring funds via Paris.

Two aspects of the projects managed by UNDP are notable; that some are on-the-ground, executive projects which UNDP admits "are not part of its usual profile" and a bureaucracy that slows down the initiation of operations. United Nations Volunteers (UNVs) manage such projects on a day-to-day basis. A consequence of this is that UNDP worries that the identification of problems may result in funds being withdrawn and both Laotian officials and UNDP officers are sometimes tentative about raising problematic issues. The more regular meetings that should follow from transfer of responsibility to Ha Noi will be important in building confidence between the three parties. A positive feature of the collaboration with UNDP is the good documentation, partly a consequence of UNDP's internal system. It proved to be relatively easy for an outsider to recover the history of projects from the files.

4.3 Allocations to and use of MLAs

4.3.1 General

The contribution of the Grant to MLAs is of several types:

1. Assessed contributions to Bretton Woods or UN bodies
2. Voluntary contributions to Bretton Woods institutions

Assessed contributions are those agreed at international conventions and are usually based on IDA guidelines, reflecting historical GDP and other factors. Voluntary contributions are just that and usually reflect political priorities within a donor country. The Norwegian and other nations' trust funds for the environment are typical of these. These funds are disbursed through the Bank and UN Sections of the MFA although some projects that have bilateral element of co-operation but are co-funded with a Bretton Woods institution can pass through NORAD.

4.3.2 Global Environmental Facility (GEF)

The GEF is in many ways a key institution in promoting environmental issues as well as being a source of funding for projects. It was proposed following the Brundtland Commission and has been in existence since 1991 and an independent legal entity since 1994, following Rio. In 1992 the Convention on Biodiversity (CBD) and the Framework Convention on Climate Change (FCCC) accepted the GEF as their interim financial mechanism at the United Nations Conference on Environment and Development (UNCED). GEF is given an annual replenishment along IDA lines, and its funding has risen from \$1.13 billion during the first replenishment to \$2 billion (1994–97) and \$2.75 billion (1998–2002). This compares to the estimated cost of implementing Agenda 21 activities in developing countries of \$600 billion between 1993–2000 (UNCED). Table 6 shows cumulative contributions for the four Nordic countries for the pilot and first two phases of GEF where the Nordic countries have chosen quite different modes of payment.

GEF has restricted its agenda to four areas; climate change, biodiversity, international waters and ozone layer depletion. GEF pays the World Bank a fee for day-to-day management

and supervising disbursement, but the World Bank is also one of the three agencies charged with implementing projects, the other two being UNDP and UNEP.

Table 6. Cumulative Contributions to GEF As of June 30 2000

| Country | Contribution Committed | | % Contribution Paid |
|-------------|------------------------|-----------------|---------------------|
| Pilot Phase | USD | Currency | |
| Finland | 27,950,000 | EUR 17,659,732 | 100% |
| Denmark | 22,220,000 | SDR 16,250,000 | 100% |
| Norway | 26,750,000 | NOK 165,000,000 | 100% |
| Sweden | 33,560,000 | SEK 196,070,000 | 100% |
| GEF-1 | | | |
| Finland | 21,600,000 | EUR 20,855,303 | 100% |
| Denmark | 35,100,000 | SDR 25,080,000 | 100% |
| Norway | 31,200,000 | NOK 220,000,000 | 100% |
| Sweden | 58,300,000 | SEK 450,040,000 | 100% |
| GEF-2 | | | |
| Finland | 22,100,000 | EUR 19,627,531 | 100% |
| Denmark | 28,700,000 | DKK 193,160,000 | 25% |
| Norway | 31,300,000 | NOK 228,320,000 | 50% |
| Sweden | 57,800,000 | SEK 448,070,000 | 100% |

a/ At this time, only 50 per cent of the total contribution is due for payment. Finland and Sweden chose to pay the full amount; Denmark is in arrears for another 25 per cent.

b/ Finland paid its contribution to GEF-2 in full in cash.

c/ Sweden paid its contribution to GEF-2 in full with a promissory note.

The GEF has a unique structure among similar agencies in that although the World Bank acts as its trustee, its overall governance is the responsibility of its Council. The Council has 32 members, assigned geographically, although heavily weighted in favour of the donors. The Council reports to a triennial Assembly, consisting of representatives from all participating countries. GEF provides grants that must form part of an overall project, which are intended to cover the incremental cost of activities to achieve agreed global environmental benefits. GEF is influenced by argument in council as regards overall policy direction and is not subject to bilateral agreement. It thus cannot be influenced directly, in contrast to World Bank. Norway's contribution to GEF comes from the Grant but the structure of GEF is such that its influence is limited to encouraging support for the environment.

4.3.3 World Bank and the Environment Department

Apart from IDA replenishments, Norway also contributes specifically to the World Bank through an Environment Trust Fund, established in 1988. At the time, this was an innovative approach and is considered in the Bank as crucial in raising the profile of the environment in the institution as a whole. The other Nordic countries and Holland have put in place similar structures and there are now something like 13 such Funds for the Environment with widely varying draw-down conditions. Trust funds do not necessarily support the Environment Department of the World Bank; as long as the donor country agrees they can be used by any Department to fund projects and programmes with some environmental element.

The Bank's EA policy is considered to be the umbrella policy for the Bank's nine other

“safeguard policies”, whose primary objective is to ensure that Bank operations do not cause adverse impacts:

- Natural habitats;
- Pest management;
- Forestry;
- Safety of dams;
- Management of cultural property;
- Indigenous peoples;
- Involuntary resettlement;
- Projects on international waterways;
- Projects in disputed areas.

The EA policy also provides a framework for Environmental Action Plans.

Trust Funds get a mixed review overall because as bilateral agreements have grown up with different areas of the Bank there is no overview of departments and topics of spending. A recent review of the Swedish Trust Fund concluded that the strategic vision has become severely blurred by the lack of oversight. Other Trust Funds have so many conditions attached that it is sometimes difficult to find projects to draw down funds and this has become an accelerating problem. For example, they require that consultants are nationals of the country that has established the Trust fund. This can be difficult in the case of complex environmental issues. Thus the relative ease in meeting the conditionalities of the Norwegian Trust Fund means that Bank staff view it very positively. The Norwegian Trust Fund has historically been important in sponsoring innovative ideas in the environmental area but the impression is that it now needs more oversight if it is to continue to be proactive in the environmental arena, rather than simply become a source of easy-access funds. A Norwegian representative has recently been posted to Washington with this in mind, although it is too early to assess the impact of this.

4.3.4 UNDP as an implementing agency

UNDP is one of the three implementing agencies for GEF and often forms partnerships with bilateral agencies to carry out programmes

in countries where there is no direct presence. It is therefore an obvious choice for Norway both in Laos, where there is no embassy and for upcountry projects, such as in Bangladesh.

UNDP is perennially short of funds and is very decentralised, with country offices using their own initiative to build up their resources. As a consequence they tend to take on the management of projects they are offered and subsequently build up capacity, often through UNVs. UNDP has the advantage that it is on the ground, but the disadvantage that it has limited experience in hands-on project management. Projects managed through UNDP would be better restricted to policy, legal, administrative topics rather than on-the-ground implementation

4.3.5 Transparency

MLAs were previously notorious for both their cultures of secrecy and their refusal to engage with civil society organisations, particularly NGOs. As a consequence, they were frequently in conflict with these organisations. However, attitudes have changed dramatically, and policy on information dissemination is increasingly open as agencies come under greater external pressure. The rapid spread of the Internet has made possible a type of transparency unthinkable even a decade ago. Some, such as the ADB, follow the principle recommended for all environmental projects, “presumption of disclosure”, that is, all documents to be freely available unless there are compelling reasons otherwise. Preparation and appraisal documents relating to projects with potential environmental impact are posted on the World Wide Web to seek input from civil society organisations. The EBRD considers public consultation important, but actual release of information is largely the responsibility of the project partners (which may be companies or donor institutions), reflecting the greater emphasis on private sector projects undertaken by the bank. The World Bank has recently taken its new draft environmental strategy round the world to face its critics and get their input on the text of the document. This increases transaction costs, with more meetings and project redesign

as well as greater investigation of user complaints, but the overall result is fewer, better projects in a less confrontational, more constructive atmosphere.

4.3.6 Summary: Grant impact

Evidence from the MLAs suggests that Norway played a crucial role in establishing the environment agenda in the 1980s when concerns were still fresh. However, today all international donor agencies now have in place some environmental policies and guidelines. Key themes of the guidelines include promoting environmental lending and extending environmental benefits to projects, cost-effective integration of environmental and social impact, and assessment of environmental risk and impact.

It is no accident that the environmental agenda is frequently led by NGOs and other civil society organisations with governments and MLAs following under pressure. NGOs are usually more single-issue oriented and can therefore call on more commitment from staff, and are paradoxically less accountable which makes it possible for them to take greater risks. Moreover, they may not need to work directly with national governments and certainly are under no pressure to ensure policy coherence. The consequence is that environment needs to be built into operating guidelines in a way that reflects its specific characteristics so that it avoids becoming simply another check-box.

5 The Grant as Instrument

The function of the Grant should be analysed against the terms given in the Terms of Reference and one thus needs both an overall and specific assessment of:

- a) How the Grant has been used over time;
- b) How the Grant has been administered;
- c) How the recipient orientation has been handled in the use of the Grant;
- d) What are the results of the use of the Grant;
- e) How the use of the Grant has been reported and analysed;

We have in Chapter 4, discussed some of these issues, mainly those pertaining to the administrative handling of the Grant at different levels. This chapter will discuss how well the special grant instrument is utilised and indicate what alternatives would be at hand. In the end a list of pros and cons for a continuation of the Grant is presented.

5.1 The Grant – function and strategy

One original objective of the Grant was to integrate environmental considerations into existing aid channels and thereby create a catalytic effect. When the Grant was introduced this was obviously of key importance, although evaluations undertaken specifically for the Grant 1991 and for environmental aid in general 1995 concluded that it had only been partly successful. The major problem was the lack of clear goals and guidelines on how to allocate resources. It is, however, pointed out that the Grant had been an important instrument in putting environmental issues on the agenda and that the Grant had been used to support environmental initiatives for which it would otherwise have been hard to find support.

The introduction of a special grant can be seen as a measure with several objectives. The need to highlight environment has been universal over the two last decades. In politics this also

leads to a need for a visible green flag. The special grant can be seen as an instrument in capacity-building within the whole administrative system. A special grant for environment will also normally mean more flexibility in terms of quick decisions and geography, in meeting environmental objectives. Alternatives to a special grant would be either in the direction of environment targets for results, activity or spending, or in the direction of separate environment programmes.

Special grants are further valuable in situations of poor governance and lack of transparency in that they will ensure that priorities are followed up. This is often thought to be more relevant to recipient than donor countries. In well-managed donor countries with high transparency levels, special grants can serve an important role by drawing attention to issues that have been less in focus. After a short period the issues could be successfully integrated and the special grant brought to an end.

The arguments for this kind of instrument used above are all still valid, but two developments have taken place since the Grant was established. Management systems to develop and follow up on political goals have improved and the capacity and awareness in relation to the environment has grown. Today environmental issues are on all agendas and are part of almost all planning and implementation of aid projects. The need to incorporate the environment as a key factor in projects is also accepted and the need is rather for more tools to deal effectively with environment in *all* sectors. Time has thus overtaken one of the original aims of the Grant.

There are two dimensions of the use of the Grant that should be discussed. The first dimension concerns the role of the Grant in the general strategies for environment and development. There are almost no references to the Grant in the recent official texts discussing Norwegian aid in general (e.g. *Norsk sør-politikk for en verden i endring* in NOU 1995: 5 or A

Changing World [Report to the Storting no. 19 (1995–96)]. In these texts the arguments for a comprehensive strategy for environmental aid is put forward, while in 1997 such a document was presented by MFA on behalf of the Norwegian Government. Thus the role of the Grant in the overall environmental strategy was not spelt out in official texts prior to 1997 and until that date was based on a variable set of aims and objectives, which sometimes changed from year to year. It is extremely hard to ascertain the role of the Grant as an instrument for the general promotion of environmental objectives, but the Strategy of 1997 underlines the catalytic role of the Grant.

The second dimension concerns the actual implementation strategy for the use of the funds in the development sector. In this role, the use of the Grant i.e. as a funding arrangement, has in general been guided by objectives and suggestions presented in the annual budget propositions and through the yearly workplans or operational objectives (guidelines) produced by NORAD and the MFA. These objectives are on the other hand in most cases of such a general nature that their operational value is limited. In the budget proposals the Grant is treated as one specific budget item and some guidance is given as to which areas the use of the funds should be allocated. In one sense this implies an overall strategic use of the Grant as the objectives are in line with the Government's views on foreign aid. But annual policy changes reflect the short-term political dimension of foreign aid and thus sometimes negate a long-term strategic role of the Grant. The implementing agencies i.e. NORAD and the MFA, have to take these yearly guidelines into consideration when allocating funds. In many cases this is, however, a problem as there often are long-term commitments for environmental support through the Grant made in previous years.

These observations among others led to the Norwegian Government's paper on "A Strategy for Environment in Development Co-operation", published in 1997. In this paper a general environmental strategy is outlined and it also

contains guidelines for its implementation. The objectives of the special Grant are now spelt out in some detail; strengthening the recipient countries' institutional capacity, technical/economic basis, and their competence on environment. One might expect to find more concrete guidelines on the use and operation of the Grant; items such as monitoring of the grant, quality assurance, assessment of results etc. It is also hard to see what specific role the Grant is intended to have relative to other environmental funding. The two evaluation reports 1991 and 1995 set out a clear motivation for developing this strategy, but as for the Grant itself the effect has been negligible. The lack of guidelines for the Grant implies that the Grant largely should be managed according to more general policies and guidelines. This conclusion may be both rational and wise, but challenges the existence of the Grant as a separate instrument on the budget.

The new Government in office from 1997 combined the need for a follow-up to the Strategy of 1997 with a desire to shift emphasis, broadly from Asia to Africa and from industrial co-operation to poverty eradication. In October 1998 a memo describing Political Priorities for Environmental Development Cooperation 1998–2001 was sanctioned and sent to the relevant parties in Norwegian administration. The memo highlights relevant priority international processes and a need to develop tools for organisation and integration of environment in the aid administration. The Grant as an instrument was not given any particular attention in the document.

Although there are no centrally produced strategic guidelines at NORAD for the use of the Grant there can be a quite substantial strategic component for the Grant in the bilateral aid. This is decided by the country programme, or the memorandum of understanding between GoN and a recipient country. If the environmental dimension is a significant part of such documents, the Grant can have a strategic function, as seen in the case of India. The grant can thus make it possible to undertake work in countries that might not be primary recipients

of Norwegian aid and also to tackle country-specific environmental problems. The strategy dimension can be called at best *ad hoc* in the sense that it has to be developed together with the recipient country and is thus a compromise between Norwegian aspirations and recipient goals and commitments.

There is another area where the use of the Grant is important, the actual implementation of projects at the country level. Such projects are generally handled at the embassies of the recipient countries (subject to a maximum size of NOK 15 million). The embassies are in general quite strong in project identification and in project management, but the lack of centrally produced operational guidelines for the use of the Grant creates a problem from a strategic point of view. The embassies are left to interpret the general objectives in the yearly workplans. There is a continuous dialogue between the embassies and NORAD and it is here that NORAD scrutinises local environmental projects against general guidelines and operational procedures. Depending on the involvement with FAG or other environmental expertise there is a discussion related to the implementation strategy for the use of the grant.

The part of the Grant which is handled by MFA is also based on the general objectives given in the budget proposals and later interpreted in the workplans. Although there are no published guidelines for the use of the Grant, the lack of a formulated strategy is easier to understand as most of the Grant goes to the Multilateral Agencies. The strategy of these agencies overrides most Norwegian special guidelines by default, but for a number of MLAs the Grant is used for specified environmental projects.

Over the years the Grant has been used by both NORAD and the MFA to support a number of different projects and organisations. Although from an environmental point of view many of these projects and organisational support must be considered of great interest, a problem is that the lessons learnt from the strategic use of the grant are few and there seems to be no or little follow-up on the results. The feedback to either

NORAD or the MFA, which could lead to a development of the strategic dimensions of the Grant, is low-level and therefore the lessons learnt from the environmental support are few. The evaluations in 1991 and 1995 (this last evaluation was not specifically aimed at the Grant) pinpointed the lack of strategy guidelines as a problem. This criticism seems still to be valid, although there is now a general strategy in place and NORAD's Environment Project – as long as it lasted – did enhance the capacity on environment issues. The Environment Project between 1996 and 1998 was an effort to increase both general competence at NORAD and to help formulate an environmental strategy in the aid sector. The presence of the Environment Project led to discussions of a strategic character, which is seen, for instance, in the communications between NORAD and the embassies in charge of utilising the funds from the Grant. Still the Environment Project did not fully succeed in developing new models and procedures for environment in developing programmes.

The increasing complexity of environmental issues, the magnitude of environmental problems and the rapid circulation of personnel in aid administration makes the need for operational guidelines even more evident. Although there is a large database of experiences of the effects of environmental support in Norwegian aid, there seem to be few or no efforts to capitalise on these experiences in future work. The need for a creative evaluative process, to feed back what has been learnt in this field of environmental support, is very important. That so few such undertakings of a synthetic nature have taken place is a cause for regret.

Over the evaluation period, substantive measures have been taken in the field of environment in development co-operation, through the Strategy of 1997 and the Environment Project in NORAD. When it comes to the Grant, one could however say that it has changed from having a vision and evolved into an instrument for supporting general and specific environmental projects in the aid sector.

5.2 Can the Grant promote a strategic vision for the environment?

Few officials not directly concerned with accounting and finance either within Norwegian institutions or outside made any clear distinction between environmental expenditure in general and the Grant. Some interviewees complained about a lack of strategic vision relating to either the Grant or the environment in general and this appears to be confirmed by the diversity of projects funded under Grant. Although FAG is used, somewhat patchily, to ensure overall technical quality, it cannot assure topic coherence.

Other factors also undermine the concept of a strategic vision. These are:

- Projects with Norwegian business orientation
- Projects approved for political reasons
- Recipient orientation

Creating jobs for companies in the donor nation is a legitimate political ambition. Even if the import of technology and competence may be an asset for the recipient, it can be difficult to reconcile with a consistent environmental policy. This is even more likely to be the case when reasons for approving a project are in part political, in support of diplomatic initiatives.

Box 10. Co-operation with China

The new "Asia Grant" of 1995 (see § 2.1) allowed increased co-operation with China and other lower middle income countries of South and East Asia. A Memorandum of Understanding (MoU) with China on environmental cooperation was signed in 1995 between the Norwegian Ministry of Environment (MoE) and China's State Environment Protection Administration (SEPA).

The volume of allocations from the Grant was only NOK 1.5 million in 1995, but rose to 33 million in 1996 and 76 million in 1997. In recent years the allocations have been between 20 and 30 million. The abrupt changes in volume reflect shifting political priorities. The volume of conventional environment projects with partners in both Norway and China has grown to a stable level of NOK 20–30 million per year. As the Storting made its initial allocation late in 1995, the disbursements for that year had to be modest. The peak for the next two years can be explained by funding of the soft part of mixed credits, which was ended in 1998.

The Grant served an important function to establish a number of contacts between Norwegian and Chinese parties through the finance of pre-projects. MFA and MoE together arranged for an environment attaché to be posted at the embassy. Although projects were managed from NORAD in Oslo, this representation was important in facilitating the development of new co-operative relations. The trial and error process in this period involved both project partners and contacts at government level. After some years it seems that both government institutions and project partners in general have developed very constructive relations.

The character of the China co-operation stands out compared to many other bilateral programmes. The upcoming market in China naturally attracts a larger commercial interest. The general high competence of Chinese project partners is similarly facilitating co-operation although there is a large cultural gap. Further, the active involvement of Norwegian parties colours the project performance. And last, the severity of environmental problems today, and even more the prospects for the future, gives a strong impetus for action.

The major projects include air quality management and planning systems, environmental surveillance and information systems, and integrated management of industrial and municipal wastewater. Most large projects, including the mixed credit projects, are pollution oriented. Compared to other countries with Grant funding, cultural heritage has been given relatively large weight, being as close to NGO projects as is considered possible. Some other projects have themes like environmental statistics and publication of Green Globe Yearbook.

The documentation shows a systematic approach, both on the project level and on the country strategy level. Very few projects have yet been finalized, although they have been reviewed before entering new phases. Among the involved parties, the projects are viewed as quite successful, both in terms of capacity-building in China and extended international activities for the Norwegian parties. Shifting political priorities has created some uncertainty in the Grant management. Further the shared responsibility between MoE and NORAD has been pointed out as an area with potential for increased efficiency. In the coming years there will be a need to make a synthesis of experiences as a basis for a new strategy.

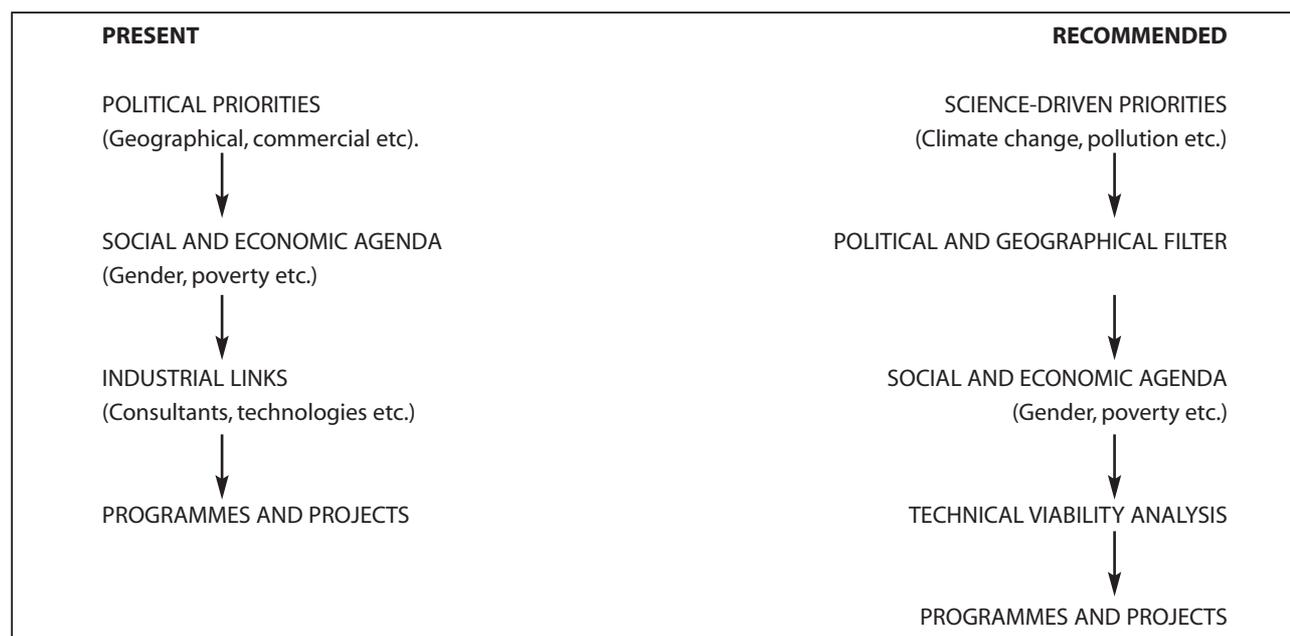
Recipient orientation (“client-led”) has been introduced to make NORAD and the embassies more responsive to demand and to appear less top-down. This is attractive in terms of the social and political agenda, but produces a scattering of requests following the diffuse orientation of recipients. Rapid response in the form of small grants remains a desirable goal but should be distinguished from larger-scale strategic projects that pursue national or global agendas, ideally based on international conventions.

If there is a concern for the environment then it *must* be driven by more than local concerns about pollution or disappearing mammals. Global conventions on the environment have developed following scientific concerns for biodiversity loss, climate change, industrial pollution etc. It is therefore less than surprising that MLAs and NGOs have a more global vision and generally set the agenda. If, for example,

the priority of a bilateral development agency is the promotion of national political goals and assistance to commerce then spending on a given sector is filtered through these priorities.

A strategic vision can have various possible interpretations, depending on a donor’s perception of its function. However, in the case of the environment, a science-driven policy – based on input from both natural and social sciences – is the only sustainable and defensible approach; given the daily evidence of deterioration in the global environment it is surprising that it is not assigned a higher priority. This is not to say that political relations, social agendas and assistance to donor country business have no role to play, simply that they should *not* be primary in an arena as important as the environment. Figure 7 is intended to represent the possibility of re-orientation:

Figure 7. Re-orienting the environmental agenda



Projects with an environmental component often have controversial scientific hypotheses at their heart and scientific opinion may develop during the course of the project. The size and significance of landscape ecosystems and the strategies towards resident and incoming populations in conservation-type projects

remain under discussion, as do contributory factors in global warming. This suggests science audits should be mandatory and that whatever the social and political agenda, priority has to be given to accurate science and continuing monitoring.

5.3 Other donors' experience: mainstreaming the environment

In comparing the Norwegian experience with other countries or bilateral agencies, three key questions arise:

- How should the environment be integrated into general and specific aid activities?
- Has the Grant been used strategically to mainstream the environment?
- What progress has been made in transparency and consultation processes?

The environment originally developed as a category apart, encompassing both green and brown issues (conservation and pollution management). Funding mechanisms and NGO structures have developed to address this view of it as a separate sector comparable to health and education, and in some ways this was encouraged by international conventions. However, it has become widely appreciated that all programmes and projects have an environmental element, and that it should become more integral to their structure, i.e. mainstreamed.

The Norwegian Grant has no exact parallel with the strategies of other donors, but Sweden, Denmark, and Holland have attempted something similar. According to the World Bank Environment Department, the results have also been analogous; in other words the conditions were such that there was a need to disburse environmental funds outside the remit of the grant leading to a diffuseness of results. The UK's Department for International Development (Draft Target Strategy Paper of the Environment Policy Department, September 2000) aims to put particular focus on mainstreaming the environment into policies and programmes through improved internal procedures. This includes incorporating environmental considerations into institutional and country strategy papers and country poverty assessments together with capacity building. DFID managers are to be encouraged to adopt a longer-term perspective and training

courses for all staff aim to raise awareness on the impact of environmental degradation on poverty and how to use the internal Environment Guide and Screening Summary Note. Further capacity-building is being developed through case studies which outline experiences of opportunities to promote environmental protection and poverty reduction through projects. The target strategy identifies the importance of building a stronger network of advisers from a broad range of disciplines e.g. engineering, health, natural resources, education and governance who also have experience of environmental issues in those sectors.

While it seems both simple and desirable to include an environmental component into all sector programmes, in practice its implementation is more problematic. Established sectors have often to be convinced of the relevance of environment to their activities and furthermore have no training in taking account of environmental issues. Smaller NGOs have no environmental specialists for reasons of economies of scale. To mainstream environment is to require inter- and intra-agency co-operation in a way that runs counter to much established working practice. Nonetheless, as the impact of human activity on the global environment becomes more visible, the need to implement mainstreaming becomes more acute.

A key aspect of the asymmetries typical of environmental mainstreaming is the low-level or near absent client demand. In contrast to health and education, few host countries actively lobby for more environmental conditions to be added to projects. Some openly characterise this type of programme or project as "green imperialism". This acts as a disincentive to staff who are urged simultaneously to both nurture increases in demand-led projects and to promote more concrete goals such as poverty reduction.

For environment to be mainstreamed two elements must be present. Specifically environmental projects whether "green" or "brown" must be acknowledged as potentially having both greater risk elements and a more

experimental nature than many other sectors, and must be monitored and evaluated accordingly. Other projects with potential environmental impacts must be designed within a framework which ensures that those impacts are understood and mitigated where necessary. Such projects are riskier than more established formats, their scientific scaffolding is subject to change and time spans are long compared with conventional infrastructure. The strategic and environmental impact assessments that are now used by many donors need to reflect the different risks and time spans of environmental projects. Moreover, NGOs and civil society organisations often have a comparative advantage in planning and executing such projects. The key issues are:

- the importance of having defined targets for environmental spending;
- environment funds available for incremental costs on other types of projects;
- continuous training and awareness sessions for staff;
- procedures in place to ensure that environmental factors are not downgraded when political priorities change;
- grading of projects for their riskiness (experimental nature) and experimental nature and a system of evaluation which recognises this;
- the preparation of easily-updated toolkits for staff to consult;
- collaboration with institutions with specialised expertise in this area;
- recognition of the long time spans required both for execution and impact evaluation.

The Asian Development Bank includes “Mainstreaming the Environment into Country and Lending Operations” and “Mainstreaming the Environment into Sector Policies” as stated goals of its Environmental Agenda. Projects are categorised according to their environmental impact from A to C and those expected to have some or significant adverse impacts (A and B projects) are required to have an Environmental Impact Assessment. Should a project have a significant environmental impact the EIA must

be prepared and circulated to the Board of Directors 120 days before the Board considers the project. The report is required to include mitigation and avoidance measures that address the environmental concerns. One of the problems with this approach is its assumption of *primum non nocere* (first do no harm) which regards the environment as a passive feature that can be more or less harmed by projects. The European Bank for Reconstruction and Development, by contrast, seeks to realise additional environmental benefits through its environmental appraisals of projects. The process then becomes less of a *weeding* exercise, removing the worst elements of projects, and more of a process of focusing on the potential environmental benefits of a project and ways to maximise them.

The GEF fund works on the principle of carrying “incremental costs” as a grant in conjunction with other types of funding, such as bilateral donors, MLA loans etc. In other words, it is recognised that certain types of activity do not produce an economic return within a national economy, although they may benefit the global commons. The advantage of this is that almost any type of development project can benefit from the addition of an environment component without bearing its costs.

MLAs have gone much further than bilateral agencies in transparency and engagement with NGOs and civil society organisations in the design process (§4.3). This is because they do not have more or less covert political, industrial or economic goals within their project spending and because, not working through diplomatic services, they do not have an embedded culture of secrecy. The Grant is certainly not managed in secrecy, but to reach sustainable, replicable and scientifically validated projects, practices similar to those of the MLAs are desirable.

5.4 Pros and cons of a Special Grant

The continuation of the Grant has been in question since shortly after its inception. Originally a provisional instrument to develop environmental strategies and procedures, full

integration into other aid activities was recommended in the evaluation of 1995. A decision in 1998/99 to abolish the Grant was later halted. As a part of the process an internal committee worked out a plan for rearranging the budget structure where the Grant to be abolished. The present evaluation will serve as a background for reconsidering the issue.

The team has received viewpoints from a number of stakeholders, covering the widest possible spectrum. From some positions, the Grant is seen as an inalienable instrument whereas others characterise the Grant as an extra budget item only making management more complex. Most interviewees saw arguments for both positions. In the following, the most central arguments for and against keeping the Grant are discussed. The diverse nature of Grant use may mean that an argument is valid only for a part of the scope of the Grant. Chapter 6 presents the team's own conclusions, but Table 7 sums up the arguments.

The most frequently used argument is that the Grant guarantees a certain level of funding for environmental activities in a terrain of unstable priorities and funding levels, while ensuring that the total aid programme has a green profile. This can be seen as particularly important when the goal of integration of environmental concerns is still remote. The Grant also mandates administrative measures to highlight environment, like reporting. Dedicated funds will necessarily add to the administrative burden of balancing an extra budget head, although this need not be a major issue. Nonetheless, as long as transparency remains low and the strategy for the Grant obscure, observers outside the administration may interpret the Grant as an indicator of greenness. But the size of the grant is misleading as an indicator of environmental activities and efforts, since it could be sharply increased at the same time as the total funding of environmental projects is reduced.

The Grant was established in a period of experimentation when there was a need to foreground the environment. Since the mid-

1980s there have been tremendous developments in science, awareness, and experiences regarding environmental issues which also has led to changes in the policy sector of most governments and MLAs. It is no longer obvious that there is a need for a *special* Grant. With the focus on the Grant's existence, the danger may be that less emphasis is given to mainstreaming the environment. Dedicated environmental funds may counterbalance recipient orientation at the governmental level but not necessarily be a vehicle for new thinking in environmental issues. The existence of funds reserved for the environment will enable a constructive dialogue on environment both with recipient governments, multilateral organisations and NGOs.

Various stakeholders have praised the Grant's flexibility. It has evidently allowed MFA to follow up on political initiatives both nationally and internationally. To NORAD the fund has brought flexibility in funding projects in co-operating countries and outside the main co-operating countries, and in particular with China. This flexibility has been especially important when, for example, political directives change the emphasis of the aid, as in the case of India, or when new issues such as conservation of biodiversity issues get in on the agenda. The Grant has historically allowed for experiments in project type, co-operation partners etc. On the other hand, there should be ample opportunity for this type of innovation with other funds.

One interviewee stated that "there'll be no applause for closing down an environment Grant", a public-relations issue that Government has to consider. On the other hand, the quality of the applause will depend on what is proposed to replace the existing regime.

Table 7. Arguments for and against the Grant

| Pro Special Grant | | Contra Special Grant |
|--------------------------|---|--|
| 1 | Dedicated environmental funding in terrain of shifting priorities | Misleading as policy indicator |
| 2 | Ensures environmental priorities when environment is still not integrated | Pretext (excuse) for not mainstreaming the environment |
| 3 | Counterbalances recipients' typically low priority on environment | Can be characterised as "green imperialism" |
| 4 | Flexible source of funding | Flexibility is at the expense of strategy |
| 5 | Flexibility allows follow up on political issues | Need for flexibility is the same as for other sectors |
| 6 | Flexibility allows for innovative activities | Innovations can be assured also through ordinary funding |
| 7 | | More complex to manage in accounting terms |
| 8 | No applause for closing down an environmental Grant | Can be countered by ensuring similar commitment from other sources |

6 Conclusions

The Grant's intended function was both to provide flexible funding and support innovative projects as well as to promote increased awareness of the environment and influence global institutions. This evaluation suggests this strategic role has been diluted, both as a result of changing strategies in the environmental arena and context of use. When the Grant was initiated in 1984 the environment was a specialist arena, poorly understood by governments, whereas today its global significance is taken for granted by all donors. The Grant provided an essential tool for the MFA and NORAD to promote environmental awareness, fund environmental projects and establish links with environmental organisations across the globe. Today the need for environment policies and actions is not reduced, but demands different thinking.

The Grant as originally conceived has been superseded by the Strategy for Environment in Development Cooperation of 1997, which outlines in broad terms the environmental focus of Norwegian development spending. The strategy does not exclude the continued use of the Grant alongside other environmental aid but the absence of a specifically defined strategic role is significant. Today, projects funded by the Grant are difficult to characterise in contrast to other environment projects. The Grant presently provides funds for a wide variety of projects, short and long-term, and ranging in size from NOK 5,000 to NOK 60 million. Most in-country project officers responsible for environmental projects did not distinguish between the sources of funding for their projects but rather emphasised differences in the objectives of the projects themselves. The strategic goal of mainstreaming the environment is no more or less promoted by the Grant projects than the rest of the environment portfolio.

The absence of an overall Grant strategy does not mean that the Grant has not played an important, and even strategic, role at a lower

level. MFA has used the Grant as an instrument to influence the policies of multilateral agencies. In some countries the Grant has been used to support small projects outside country frame agreements. The Grant thus has a multitude of identities.

The system of documentation undermines the potential for the Grant to be strategic through patchy availability and uncertain procedures to utilise project information in further strategy development. The internal division between MFA, NORAD, MoE and the embassies is reflected in the physical location of project documents and an absence of a collective responsibility for documentation – not only for Grant-funded projects. The example of NORAD, MoE and the embassies all sponsoring individuals from developing countries to attend international meetings suggests a significant duplication of administration.

For most projects studied there was limited emphasis on the analysis of project outcomes. It was frequently mentioned that the small grants were “seeds”, “pilots”, “trials” etc. which is valuable, but only if lessons are learnt from the trial and replications designed from successful experiments. There was little evidence of effective co-ordination between the institutions to build on project outputs through scaling-up or replication. Completion documents for larger projects or programmes often tended to record expenditure rather than focus on outcomes.

Recipient orientation has had mixed results; although quite a large number of small grants originate with recipient requests, Norwegian Technical Assistance is frequently used to prepare larger projects, especially in relation to the Asia Grant. Countries such as Viet Nam, with a policy of filtering donor aid, do not permit this scattering of uncontrolled requests. Recipients focus more on getting the grant than reporting.

The dispersal of the physical documentation mirrors the scattering of administrative staff who are rarely brought together to co-ordinate the lessons that are being learned. Constant changes in personnel have the consequence that where capacity is built up in one area it is often wasted by the transfer of individuals without adequate handover. Significant potential benefits of lesson-learning and institutional capacity-building are therefore being lost. Institutional memory could be significantly improved by establishing links between all environmental project staff.

As the management of Grant projects often mirrors other environment projects, these conclusions may be of wider relevance.

The team has heard a number of stakeholders praising the Grant's flexibility and its protection against hasty priority shifts. These are valid arguments for retaining the status quo, but can also lead to a slowdown in mainstreaming the environment. The alternative to the Grant of today is not a separate programme for environment in developing countries, but a more distinctive policy to integrate environment throughout all sectors.

7 Recommendations

The present recommendations derive from the study of the Grant, but some, such as those on transparency, documenting, and archiving and outcome orientation are clearly relevant to overall environment spending and to institution-wide practices. The Grant represents a relatively small part of Norway's overall environment spending and it has not been spent according to a coherent strategy, but as a convenient subhead for funds that must be quickly and flexibly approved. The objectives for the Grant can easily be met through a re-orientation of overall environment spending. The overall recommendation is therefore that:

- The Grant be discontinued in its present form and that the funds it represents be merged with overall environmental spending.

If this recommendation is implemented, the same commitment to the environment should remain through some or all of the following:

- A financial target for spending on environment;
- Distinct environment objectives for each budget item and programme;
- Objectives which can be subject of reporting and evaluation;
- Request for the development of management tools for mainstreaming of environment.

Concerns over flexibility can be addressed by explicitly recognising that environmental projects or programmes can be both riskier and more experimental than conventional sector projects such as health and education and that they yield results over a longer time span. This should be built into monitoring and evaluation strategies, recognised in approval procedures and allow for unconventional civil society projects outside country frame agreements.

If the Grant is to be abolished, two major types of projects will lose their immediate source of funding. This needs to be addressed by ensuring that flexible funds – be they earmarked for environment or not – can be used for:

- The MFA to follow up on political processes and initiative;
- Highlighting environmental activities outside main partner countries.

The team has no preference as to whether these are integrated into existing budget items or new ones are established.

Overall environment spending is governed by the Environment Strategy of 1997, but needs to be operationalised, to move to more explicit delineation of desirable project outcomes. If the much-delayed NORAD environmental handbook serves this function then its completion and wide dissemination remains a priority.

The role of the MoE remains highly ambiguous; a clearer definition of its responsibilities from the viewpoint of Oslo and recipient countries would be highly desirable. MoE should have the right to comment on project initiation in MoU countries but management responsibility should stay with NORAD as for other projects.

The Asia strategy was responsible for a significant expansion of tied projects, particularly in China, which are linked to the participation of Norwegian industry. This contradicts the recipient orientation outlined in other documents and makes for a lack of policy coherence. A move from social and political goals to a science-driven environment policy seems to be crucial for a defensible long-term strategy and sustainability in environmental programmes.

The other major concern of the study was weak lesson-learning and a failure to address issues of replication and scaling-up. These are in part a consequence of decentralisation and recipient orientation, and while these are desirable goals in some ways they lead to a mass of small and unmonitored projects with the consequence that a coherent strategic direction is hard to pursue. The key recommendations (valid for most NORAD activities) are then:

- More emphasis on project outcomes;
- Requirement for submission of analytic documents rather than expenditure records;
- Improved outlining of operational goals to enable more effective M & E (Monitoring and Evaluation);
- Strategic oversight of comparable Norwegian projects worldwide;
- Greater emphasis on replication of successful projects;
- Closer co-ordination between bilateral and multilateral activities.

A more effective administration procedure would be to stratify projects or grants into those too small to be evaluated and those where a significant outcome should lead both to environmental results and methodological lessons. We therefore recommend:

- Formal stratification of projects to allow for simplified administrative procedures for

some projects whereas projects with lesson-learning potential be given more attention.

Linked to this is a major improvement in the documentation system. The principle recommended for all environmental projects is “presumption of disclosure”, that is, all documents to be freely available unless there are compelling reasons otherwise. This should not be linked to the centre/embassy distinction; electronic documents can be freely transmitted between institutions or even by the same archiving system. We therefore recommend:

- Adoption of the “presumption of disclosure” principle;
- Publication of all documents relating to the environment on the Web;
- More transparent and effective system of electronic archiving of all documents relating to environment to be accessible to all ministries and to embassies;
- Formal system of logging documents to make clear the absence of those that should be available;
- Routinely synthesise experiences and lessons and disseminate them to relevant parts of the institution.

Norway’s overall record on the environment and international reputation in this area is good; we hope that these recommendations will maintain this state of affairs.

Annex 1 Terms of Reference

10 April 2000

Policy Planning and Evaluation Department, Royal Norwegian Ministry of Foreign Affairs

Evaluation of the Special Grant for Environment and Development Chap 0155. Item 70/71

Use, Management Practices and Reporting of Results

Background

Since 1981, one of the central objectives of Norwegian development assistance has been to integrate environmental concerns into all activities where this is relevant. The Special Grant for Environment and Development (also referred to below as “the Grant”) was established as a pilot scheme in 1984, and then extended in the follow-up of Reports No. 34 (1986–87) and No. 46 (1988–89) to the Storting (Norwegian Parliament). The objective of the scheme has varied throughout the period the Grant has existed, manifesting the government’s ultimate objective, which is to promote an ecologically sustainable development. Central concerns have been the integration of environmental issues as a crosscutting theme in Norwegian aid, the strengthening of administrative and professional competence in the environmental field in the South as well as in Norway, and the flexible financing of concrete environmental activities.

The Special Grant for Environment and Development was one of three grants that were established during the same period; the other two were the Special Grant for Culture and the Special Grant for Women. The Special Grant for Environment and Development has, since the start, supported initiatives through both bilateral and multilateral channels. The grants represent a combination of geographically, thematically, process and channel oriented efforts that combine with other grants and budget items intended to further the same objectives. Thus, while a total of NOK 1.4 billion

was classified as environmentally related aid support in 1997, the allocations under the Special Grant for the Environment and Development amounted to NOK 305 million and another NOK 300 million was spent under other specific environmental schemes.

The Special Grant for Environment and Development was evaluated in 1991 (Ministry of Foreign Affairs Evaluation Report No. 5, 1991). The evaluation concluded that the establishment of a separate grant had contributed to a noticeable shift in focus towards environmental issues in Norwegian development assistance. Moreover, the evaluation revealed that the Grant had served as a flexible and effective finance mechanism for specific activities. It also concluded that the Grant had facilitated the integration of environmental concerns into operations of multilateral partners. On the bilateral side the Grant was found to be managed in isolation and not integrated into country programme activities. An evaluation was carried out in 1995 of the integration of environmental concerns into Norwegian bilateral development assistance (Ministry of Foreign Affairs Evaluation Report No. 5, 1995). As far as the Grant was concerned, the evaluation concluded that it was in danger of becoming counterproductive to the aim of cross-sector integration, and recommended planning for full integration of the Grant into mainstream aid activities.

The Storting’s deliberations on Report No. 19 (1995–96) to the Storting were followed by a

discussion about the utility of special grants as a political means of furthering stated priorities. In particular, the utility of the grants as an instrument for integrating cross-cutting concerns, their administrative efficiency, and the reporting of results were in focus. In this context, Recommendation No. 229 (1995–96) from the Storting stated that the Grant should be evaluated within a period of three to five years. The Ministry of Foreign Affairs's *A Strategy for Environment in Development Cooperation* from 1997, following up this statement, emphasises that NORAD "must draw up guidelines, performance targets and indicators that can form the basis for this evaluation" (p. 14).

In Proposition No. 1 (1998–99) to the Storting, it is suggested that the Special Grant for Environment and Development be phased out. The Storting endorsed this Proposal on the condition that support to the areas that were given priority under the schemes was not reduced, and that the Grant was to be phased out in a way that would increase administrative efficiency and improve reporting to the Storting on results and planned efforts.

Main objective of the evaluation

The main objective of the evaluation is to describe and assess the Grant as an instrument for furthering the stated objective of promoting an ecologically sustainable development within and through Norwegian aid. The evaluation should contribute to the ongoing discussion on the usefulness of special grants as instruments for rendering political priorities visible and furthering stated objectives. The evaluation should focus on both the bilateral and the multilateral channels, and concentrate on the use of the Grant, management practices and on reported results.

Scope of the evaluation

To restrict the scope of the evaluation, it should concentrate on the period 1995–2000. The strength and weaknesses of the grant should be

viewed with reference to efforts to mainstream environmental concerns. The focus should be upon the use of the Grant, the administration of the Grant including practices relating to recipient orientation, practices established for reporting results, and the results of the Grant (from output to impact) as reported in existing documentation.

- 1) The use of the Grant. The allocation of funds should be surveyed with respect to time, geographical distribution, themes, processes, organisational levels (local, national, international) and main types of activities, for both bilateral and multilateral channels. An overall picture should be drawn up of Norwegian support that is classified as environmentally related. An assessment should be made of the profile of the support under the Grant compared with all support that is classified as environmental support.
- 2) The administration of the Grant. For bilateral and multilateral channels, the management of the Grant should be described and its strengths and weaknesses identified. The description and analysis should be limited to the Norwegian side (including embassies) and to multilateral organisations. The issues of flexibility, the roles of different stakeholders, transparency in the decision-making process, coordination, and cost-effectiveness should be addressed.
- 3) The practices with regard to recipient orientation. The role played by the bilateral or multilateral recipients in influencing the allocation of funds should be described. An assessment should be made of the extent to which allocations under the Grant have become an integral part of the negotiations between donor and recipient, whether country strategies to an increasing extent include environmental concerns, whether - as a result of the Grant - embassies and multilateral organisations can draw on increased environmental competence in the recipient country, and whether there is an

increased manifestation of environmental concerns in recipients' (bilateral or multilateral) plans and priorities.

- 4) The practices established for the reporting of results. The 1995 evaluation, the Ministry of Foreign Affairs' Environmental Strategy, and the Storting all emphasise the importance of establishing good practices for reporting the results achieved through the Grant. The evaluation should describe how and which type of results are reported and assess how performance targets and indicators have functioned and how weaknesses in the reporting system have been or are planned to be improved.
- 5) The results of the Grant. An assessment should be made of the output, relevance, efficiency, sustainability, and impact of the Grant. The assessment should be based on existing reports and documentation. The increase in competence resulting from the Grant, both in the administration and in external fora (research, consultancy, other), on which the administration draws, should be assessed.

Methodology

The methodological focus should be on documentation that already exists. Interviews and surveys may be conducted to supplement existing documentation. The evaluation must include:

- A desk study of relevant documentation. "Relevant documentation" includes official documentation such as Proposition No. 1 to the Storting for different years, Reports to the Storting, Recommendations from the Storting, the MFA's letters of assignment to NORAD for different years, internal reports such as the report on the phasing out of the Special Grants, documentation from multilateral organisations, existing evaluations and reviews, archive material.
- A review of reports on results from embassies, and the information extracted

from such reports and made available for analysis in databases, synthesis reports (annual reports), etc.

- A review of country strategy reports and strategy documents of multilateral organisations, that visualise the degree of emphasis and integration of environmental concerns.
- Interviews with key personnel in the Norwegian administration (Ministry of Foreign Affairs, Ministry of the Environment, NORAD, embassies) that have handled the Grant, as well as people in these organisations who deal with support to environmentally related aid activities outside the Grant.
- Some cases should be included to illustrate the scope of activities supported, and the variation in decision-making, management, recipient orientation as manifested in existing planning documents, performance targets, results and reports.

Additional points:

The added information obtained through interviewing personnel in multilateral organisations and recipient countries should be considered against the limited time-frame of the evaluation.

The evaluation might include a survey of some of the embassies/multilateral organisations to find out how they have managed the Grant and reported on results.

Experience gained by other donors, who, like Norway, have made an effort to integrate environmental concerns into their aid, could be drawn upon for comparative purposes.

Reports of findings

The evaluation should result in a final report not exceeding 35 pages, including an executive summary of maximum four pages. A statistical overview describing the use of the Grant,

including support provided for environmental issues in general, should be presented in an annex.

The evaluation team will write a maximum two-page summary of major findings and recommendations, for publication in the Ministry of Foreign Affairs' Evaluation Summary series.

The evaluation team should aim at creating interest and ownership in relation to the evaluation. The team should carry out debriefings where in-depth studies are made. During the preparation of the report, the team should present its main conclusions and recommendations to the major stakeholders.

When completed, the report will be presented at an internal seminar arranged by the Ministry.

Qualifications of the evaluation team

The evaluation team must cover the following fields of expertise:

- Ecology and natural resource management
- Norwegian ministerial administrative structures
- Governance issues, including systems for defining performance targets, indicators, and reporting of results
- Multilateral organisations
- Gender and poverty alleviation issues
- Evaluation.

The members of the evaluation team must be able to read Norwegian. Collaboration between Norwegian and external expertise is desirable.

Time frame

The evaluation team should commence its work within two weeks of being offered and accepting the assignment. A draft final report must be submitted by 1 September 2000. The final report must be completed within two weeks of the receipt comments on the draft final report, and no later than 15 October.

Annex 2 Institutions Visited and Persons Met

Norway

The Norwegian Ministry of Foreign Affairs:

Inger-Marie Bjønness

Berit Fladby

Tore Hjartnes

Erik Jensen

Inge Nordang

Olav Seim

Elisabeth Skibenes

Anne Marie Skjold

Mari Skåre

Previously employed:

Nils Haugstveit

Olav Kjørven

Gunnar Mathisen

The Norwegian Ministry of Environment:

Idunn Eidheim

Turi Sand

NORAD:

Jorid Almås

Jan Dag Andersen

Marit Brandtzæg

Mona Gleditsch

Idar Johansen

Marit Lillejordet Karlsen

Anne Lise Kirkerud

Knut Klepshvik

Rodney Lobo

Per Mogstad

Inger Næss

Kjell Storlækken

Rolf Sørum

Previously employed:

Rasmus Hansson

Tanzania

The Norwegian Embassy in Dar es Salaam:

Nils-Johan Jørgensen

Kerstin Massawe

Arne Olsen

Jan Erik Studsrød

Danish Embassy

Vice President's Office, Department of Environment

Cleaner Production Centre of Tanzania

Tanzania Traditional Energy Development and Environment Organisation

Envirocare

Bangladesh

The Norwegian Ministry in Dhaka:

E. Berg, First secretary

Sven Medby

Hilde Johanssen

Elisabeth Mork

A. S. Abbasi

M. Hossein

N. Hossain

Z. Hassan

At the National Conservation Strategy Project:

S. M. Munjural

H. Khan

India

The Norwegian Embassy in Delhi:

Rolf Skudal, Counsellor Development

Commercial Affairs

Paul Vedeld, Second Secretary Environment

Development Cooperation

Berit E. Nosiku

G. V. Rao

T. A. Sharma

Vietnam

Norwegian Embassy in Hanoi:

Marianne Karlsen

Odd Toven

Marit Roti

Anton Kjelaas, Project Consultant

FAO:

Patricia Matteson

Laos*UNDP:*

Philippe Devaud
Katarina Vainio-Mattila
Kari Nordheim-Larsen
Thibault Ledecq
Seppo Karppinen

Urban Development Authority, Vientiane
Phouluang Kanolath
Khamthavy Thaiphachanh

UNESCO:

Heather Peters
Heng Daovannary

Great Britain*World Bank (London):*

Kristalina Georgieva
Tony Whitten

USA*Washington:*

GEF
Jarle Hårstad
Hutton Archer

World Bank (Washington):

Pamela Crivelli
David Hanrahan
Jerome Gauthier
Robin Mearn

Annex 3 Additional Statistical Data

Apart from the sample database discussed in Chapter 4.1.3, additional analyses were prepared of the total of 82 projects analysed for

the study. This Annex shows some of the most relevant data from this larger database.

A. Recipient Request

| Interpretation | Number of projects |
|----------------|--------------------|
| Unknown | 8 |
| No | 16 |
| Yes | 58 |

B. External Review Document

| Interpretation | Number of projects |
|----------------|--------------------|
| Not relevant | 8 |
| Yes | 12 |
| Unknown | 17 |
| No | 45 |

C. Project Location

| Site | Number of projects |
|----------|--------------------|
| Global | 9 |
| Regional | 20 |
| National | 53 |

D. Administrative Assignment

| Administration site | Number of projects |
|---------------------|--------------------|
| No documentation | 6 |
| MFA | 7 |
| NORAD | 34 |
| Embassy | 35 |

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