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**DONOR SUPPORT FOR INSTITUTIONAL CAPACITY DEVELOPMENT IN  
ENVIRONMENT: LESSONS LEARNED**

**(Note by The Netherlands)**

*The attached document is submitted for CONSIDERATION to the Working Party on Aid Evaluation at its 31st meeting to be held on 27-28 January 1999. This summary as well as the full report, presented as Background Document No. 1, has been prepared by Mr. A. Wardell, Consultant.*

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## DONOR SUPPORT FOR INSTITUTIONAL CAPACITY DEVELOPMENT IN ENVIRONMENT: LESSONS LEARNED

### I. BACKGROUND

1. In 1987 – in the wake of the publication of *Our Common Future* – the Development Assistance Committee (DAC) conducted a seminar in Paris entitled Strengthening Environmental Co-operation with Developing Countries. A review was subsequently carried out of DAC Members' capacity to address environmental concerns in their Official Development Assistance (ODA) activities. The report concluded that nearly all DAC Members accorded a high priority to environmental issues, but that active work was still required to better integrate environmental considerations, coherently and systematically, in aid policy, planning and implementation (OECD-DAC, 1989).

2. In 1992 – in the wake of the United Nations Conference on Environment and Development (UNCED) – the DAC Working Party on Development Co-operation and Environment (WPDCE) established a Task Force on Capacity Development in Environment (CDE). The work of the CDE Task Force resulted in the publication of the proceedings of two CDE Workshops conducted in Costa Rica (1993) and Rome (1996).<sup>1</sup>

3. Between 1995-96 the WPDCE also prepared an Updated Survey of DAC Members' Activities in Support of Environmental Goals (OECD-DAC, 1997b). The results of this survey were subsequently used as a basis for preparing a draft Compendium of Good Practices for Operationalising Sustainable Development in Development Co-operation Management (OECD-DAC, 1998a).

4. In 1997 the DAC Working Party on Aid Evaluation (WPAE) commissioned a desk study 'Lessons of Donor Support for Institutional Capacity Development in Environment'<sup>2</sup>. The CDE study was initiated as part of the DAC's attempts to improve the effectiveness of donor assistance strategies in certain *Shaping the 21<sup>st</sup> Century* goal areas.<sup>2</sup>

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1 Other titles are available as: *Developing Environmental Capacity. A Framework for Donor Involvement* (OECD-DAC, 1995a), *Donor Assistance to Capacity Development in Environment* (OECD-DAC, 1995b) and *Capacity Development in Environment: Principles in Practice* (OECD-DAC, 1997a).

2 See Options for Actions by the Evaluation Group in Support of the DAC's Strategy Shaping the 21st Century, in particular Action III (DCD/DAC/EV(97)4).

3 Shaping the 21st Century endorses the environmental dimension of sustainable development "so as to ensure that current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015" (OECD-DAC, May 1996 p.2).

## II. SCOPE OF THE STUDY

5. The Terms of Reference for the CDE study call for a detailed and systematic assessment of DAC members' capacities to support two key processes implicit in the concept of CDE, viz., integrating environment and development concerns and promoting "ownership" at national and local levels by strengthening institutional pluralism<sup>4</sup>.

6. This Summary document is based on an assessment of a sample of approximately 70 evaluation and review reports provided by the DAC Members, the publications cited in 2. and 3. above and other relevant literature, analysis of 13 responses to a structured CDE questionnaire and selected DAC Member and institutional visits and interviews (notably Neda, DfID, Danida, BMZ, GTZ, KfW, UNDP and the Harvard Institute for International Development (HIID). A peer review of draft documents was undertaken by the International Institute for Environment and Development (IIED). The Summary and attendant Main Report constitute revisions of "Work in Progress" documents presented at earlier WPAE meetings<sup>5</sup>. Overviews of DAC Members who participated in the CDE study and the responses to the CDE questionnaire are presented in Appendices 1 and 2 respectively.

7. The study has examined the functional objectives of CDE processes as a basis for prioritising areas where further efforts are required to improve DAC Members' environmental performance. The study had, of necessity, to simplify an extremely complex set of issues and concepts. There are, in addition, numerous difficulties in assessing outcomes in relation to themes such as 'environment' or 'capacity development', particularly in the contexts of the widespread policy and institutional reforms of both DAC Members and recipient governments during the 1990s.

8. An important limitation of the study is that it relies disproportionately on donor agency documentation. The relative paucity of information regarding CDE published by recipient country institutions or individuals has heightened this asymmetry<sup>6</sup>. The sample of reports provided by the DAC Members did not include any evaluations of private sector organisations. The study has not attempted to make a detailed assessment of DAC Members' financial appropriation in support of 'environment' or CDE projects and programmes due to the current limitations of the OECD-DAC classification of aid. The study presents the views, findings and conclusions of the consultant which do not necessarily correspond to the views of the DAC members or recipient governments.

## III. MAIN FINDINGS

### A. DEFINITION AND PRESENT STATUS OF THE CDE CONCEPT AND APPROACH

9. Capacity in the environment represents the ability of individuals, groups, organisations and institutions in a given setting to address environmental issues as part of a range of efforts to achieve

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4 Room Document No. 1 and attendant Inception Report discussed under Agenda Item No. 5a) at the 29th WPAE Meeting, 24-25 November 1997.

5 Room Document No. 4 and attendant Background Document discussed under Agenda Item No. 6b at the 30th WPAE Meeting, 27-28 May 1998

6 Notable exceptions include some of the papers presented at the CDE Workshop in Rome (OECD-DAC, 1996) and, for example, CDE as a National Endogenous Process – the Role of External Assistance (Kikula, I.S., 1998). Paper presented at the International Workshop on Danish Assistance to Capacity Development in Environment. Snekersten, Denmark 12-14 May 1998.

sustainable development. The concept of CDE describes the process by which capacity in the environment and appropriate institutional structures are enhanced. The key underlying principles of the CDE concept are that it integrates environment and development concerns at all levels, aims to strengthen institutional pluralism, belongs to, and is driven by, the community in which it is based and involves a variety of management techniques, analytical tools, incentives and organisational structures in order to achieve a given policy objective<sup>7</sup>.

10. CDE is a key element for the management of environmental problems. The development of the CDE approach has been an ambitious and important step forward in dealing with development and environment. The 1996 CDE Workshop in Rome placed CDE firmly on the international agenda amongst 'environmental' specialists. The Rome Workshop, nonetheless recognised that «there is much to do to urge the process forward at all levels in donor and partner communities»<sup>8</sup>. It ascertained that active work is *still* required to ensure greater awareness and understanding of the CDE approach amongst *i.a.* senior management and operational departments within donor agencies as well as public sector aid-accountability and other relevant organisations in donor countries (e.g. national audit offices, consulting firms, NGOs, etc.).

11. This study recognises that CDE constitutes a valid, realistic and relevant approach to the issues entailed in the management of development and environment. The DAC Task Force has successfully collated several aid principles - notably the principles of integration, ownership and subsidiarity - into a coherent CDE framework<sup>9</sup>. This has provided donor organisations with both a conceptual and, potentially, an operational framework to ensure greater compliance with the DAC's established *Principles for New Orientations in Technical Co-operation*.

12. Furthermore, the CDE Framework underlined the importance of strengthening operational approaches and providing a "detailed planning guide" to meet the requirements of individual donors. The CDE questionnaire used in this study has revealed that few DAC members have developed specific CDE guidelines *per se* (*cf.* Appendix 2) although several have successfully carried the CDE process forward in other guises. The study has also identified a considerable number of successful donor-supported CDE initiatives in Latin America, Africa and Asia. These are outlined in paragraph 45.

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7 Further background information regarding CDE is provided in *i.a.* *Developing Environmental Capacity: A Framework for Donor Involvement* (OECD-DAC, 1995a); *Donor Assistance to Capacity Development in Environment* (OECD-DAC, 1995b); *Capacity Development in Environment: Principles in Practice* (OECD-DAC, 1997).

8 Report of the Main Rapporteur . *Capacity Development in Environment. Proceedings of a Workshop held in Rome 4-6 December 1996* (OECD-DAC, 1997a. p.14).

9 For example, the principle of 'integration' and addressing environmental concerns pro-actively was already established in 1982 by the Joint Nordic Working Group for Environment in Aid (*Miljø og Bistand Nu* 1982:9). The principle of 'ownership' was already established in 1991 (OECD-DAC *Principles for New Orientations in Technical Co-operation*). The principle of 'subsidiarity' was enshrined in the Copenhagen Report – the Nordic Freshwater Initiative prepared in 1991.

**B. DEVELOPING CAPACITY: CONSTRAINTS AND FUTURE CHALLENGES**

***Limited capacity to build capacity<sup>10</sup>***

13. Many low and middle income countries continue to be confronted with a complex of serious economic, social and environmental challenges and long-standing generic capacity constraints. DAC Members' evaluation reports published throughout the period 1992-98 have continued to highlight the fact that institutional capacity remains one of the most common bottlenecks in the development process. Institutional capacity development in ODA programmes has been, at best, partially successful.<sup>11</sup>

14. Most developing countries now have in place some form of agency or ministry (sometimes both) with overall responsibility for 'environment' and one or more national environmental non-governmental organisations (NGOs). However, 'environment' ministries are often characterised by:

- being relatively young, poorly staffed and, hence, weak organisations with limited political influence or fiscal support;
- being centralised i.e. institutional monopolies, with limited representation at the local level;
- having mandates which frequently overlap with other sectoral and non-sectoral line ministries resulting in institutional 'turf battles' and, thus, often being limited by their own institutional setting;
- limited capacities to commission, review and use Environmental Impact Assessments (EIAs) in national planning;
- limited capacities to enforce mitigation measures prescribed in EIAs and/or the enforcement of the 'polluter pays' principle;
- being ill-equipped to routinely and systematically assess the environmental costs of development projects as a precondition for approval.

15. Thus, there is a clear need for reforms to improve the efficiency, effectiveness and responsiveness of many environmental organisations in developing countries.

***Constraints***

16. Although DAC Members' continue to accord a high priority to environmental issues, the continued under-performance in translating policy into practice can be attributed to:

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10 Thomson, K. (1998) State of the Art Thinking in CDE: Key Issues, Newest Developments and Challenges. Paper presented at the International Workshop on Danish Assistance to Capacity Development in Environment. Snekersten, Denmark 12-14 May 1998. pp. 27-37.

11 See, for example, Institutional Development - Incentives to Performance (Israel, 1987); The Process of Change. A Synthesis Study of Institutional Capacity Development projects for the Overseas Development Administration (ODA, 1994); Capacity Building Requirements for Global Environmental Protection (Ohiorhenuan and Wunker, 1995); Building Sustainable Capacity: Challenges for the Public Sector (UNDP, 1996); Environmental Assessments and National Action Plans (OED, World Bank, 1996) and Evaluation of the Environmental Performance of EC Programmes in Developing Countries (European Commission, 1998).

- the gap between the relative priorities accorded to environmental issues by the donor community and by recipient governments <sup>12</sup>;
- significant generic and specific environmental capacity constraints in both donor organisations and recipient institutions and;
- aid delivery mechanisms (and the modalities for planning and implementation within most donor organisations) which have not evolved at the same pace, or to the same extent, as their own conceptual and policy-making structures.

17. DAC Members' environment units typically remain small, over-worked and have not yet succeeded in mainstreaming environmental knowledge or the transfer of basic environmental skills amongst generalist staff. A summarised overview of the key generic and specific capacity constraints in the area of environment of the DAC Members is presented in Appendix 3.

18. Five additional factors would also appear to have limited the mainstreaming of the CDE concept within both donor agencies and recipient country institutions. These are:

- the confusion resulting from the fusion of two poorly-defined concepts—'environment' and 'capacity development';
- the organisational cultures and characteristics of many donor agencies mitigate against effective learning and supporting "process" rather than "output" oriented approaches used in conventional project management cycles <sup>13</sup>;
- the slow integration of environmental policy with economic development concerns at all levels of government and civil society in many developing countries;
- the organisational and financial demands resulting from the substantial broadening of the scope of environmental challenges to be addressed to include 'global' environmental issues;
- the absence of any coherent core set of internationally-agreed environmental indicators, particularly when compared to economic and social indicators.

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12 Three recent reports have highlighted the fundamental dilemma in promoting "ownership" of environmental projects and programmes:

3% of 'environmental' projects were identified in accordance with the availability of funds and only 27% were demand-driven requests from national institutions (Environmental Programmes in Latin America and the Caribbean: an Assessment of UNDP Experience. UNDP, 1997);

"une faible demande de projets en faveur de l'environnement de la part des partenaires gouvernementaux" (Evaluation des Actions de la CE en faveur de l'Environnement dans le cadre de sa coopération avec les pays en voie de développement. Commission Européenne, 1998);

"Indeed, few if any substantive environmental projects would ever materialise if all ODA were based only on aid requests." (Japan's ODA Annual Report 1997. Economic Cooperation Bureau, Ministry of Foreign Affairs. February 1998).

13 See, for example, Criteria for Donor Agencies' Self-Assessment in Capacity Development (DCD/DAC(97)31) and Management of Capacity Development for the Environment Programmes and Projects. Experiences and Challenges in the Dutch Development Cooperation (Huizenga, 1997).

### *Challenges for the future*

19. A major operational challenge regarding CDE is the need to simplify and enhance existing programming efforts. This will require greater clarity notably in terms of:

- specifying the environmental problem to be addressed;
- identifying and targeting the organisations which are most capable of addressing the problem;
- specifying the types of environmental capacity to be developed within each organisation including targets to be achieved;
- mainstreaming the operational implications of support to CDE *processes*.

### **C. DONOR AGENCY CAPACITIES**

#### *Integration of Environmental Concerns*

20. The principle of integrating environment and development concerns is well established in the Brundtland Report (1987), the formal commitments in the *Declaration of Rio de Janeiro on Environment and Development* (1992), *Shaping the 21<sup>st</sup> Century* (1996) and *CDE Principles in Practice* (1997). During the period 1989-1998 DAC Members have consistently emphasized the importance of environmental concerns. Donor agencies have successfully integrated environmental concerns in overall policy statements, sector policies and strategies, in several cases, in regional and country strategies and, to a lesser extent, in local area strategies. Donors have addressed some aspects of capacity to address environmental issues and CDE concerns in ODA through *i.a.* the establishment, expansion or strengthening of specialised environment technical and/or policy units, initiating special environment programmes and funding frameworks and internal training programmes.

21. There are still, nevertheless, important differences between policy and practice. In practice, donor agencies have not managed to secure a systematic and coherent integration of environmental concerns in all sectors, at all stages of the project cycle and in all forms of ODA. Environmental guidelines are still not systematically applied or are not used at all. This finding has been repeatedly endorsed in the DAC members' own thematic 'environment and development' evaluations conducted throughout the period 1994-1998<sup>14</sup> and was aptly summarised in a recent study which found:

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14 See, for example, Neda (1994); AusAID (1994); Baser (1994); World Bank/UNDP/UNEP (1994); Norwegian Ministry of Foreign Affairs (1995); Danida (1996); JaCSES (1996); Ministère de la Coopération (1996); Sida (1996); USAID/HIID (1997); UNDP (1997); DfID (1997); Commission of the European Community (1998) and Finnida (1998).



*“Development assistance agencies, including the United Nations, multilateral and bilateral organisations frequently fail to undertake environmental assessment of projects that they support. Furthermore, when they do so, they often fall short of applying their own guidelines to an adequate standard. Quite simply, development assistance agencies fail to set the examples of good practice that they advocate in wider policy circles.”<sup>15</sup>*

22. Moreover, the principle of integrating environment and development concerns has, in practice, been weakened by:

- the growing “sectoralisation” of environment due to the widespread introduction of ‘Environmental Protection Agency-Environmental Impact Assessment’ models;
- the increasing “globalisation” of environmental issues;
- the establishment and management of separate funds to be used only for specific environmental programmes and projects;
- the frequent neglect of socio-economic concerns in “environmental” projects;
- the frequent add-on nature of separate environmental plans and planning systems.

23. There would appear to be need, therefore, for a policy reminder to all DAC members regarding the principle of integrating environment and development concerns in ODA.

24. Funding of ‘environment’ has increased during the post-UNCED era but falls far short of the original UNCED Secretariat targets. The most significant growth in funding has been donor agencies’ support for the international environment conventions, core fund contributions to the Global Environment Facility (GEF) and support for urban environmental management issues. It remains unclear in most cases, however, whether this growth constitutes new and additional financial resources or reallocations and/or recategorizations of existing ODA.

### ***Decentralisation***

25. The major strategic challenge confronting donor organisations and recipient governments alike is to target and support CDE processes at the lowest appropriate organisational level. ‘Environment’ agencies are too centralised and remote to address local environmental issues. The principle of institutional pluralism implies and is widely understood as a ‘diversification’ of institutional partners. The promotion of this principle, *strictus sensus*, i.e. to strengthen local-level institutions by breaking the monopoly of central control will, however, require a significant increase in efforts to decentralise human and ODA and local financial resources. Although there are discernible trends in the administrative decentralisation of CDE initiatives, only one DAC Member would appear to have an *explicit* environmental policy guideline to support sub-national structures.

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

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15 The Performance of EIA in Tanzania: An Assessment. 95 pp. IRA Research paper No. 41/IIED Environmental Planning Issues No. 14. Institute of Resource Assessment, University of Dar es Salaam and IIED, London.

*Specifying types of environmental capacity to be developed*

27. Donor-supported CDE projects and programmes have frequently implied that:

- institutional capacity and institutional change can be induced;
- institutional capacities in developing countries are weaker than those in donor agency countries;
- institutional capacities in developing countries can be developed on the basis of organisational and management models and environmental instruments developed and applied in donor countries.

28. The lessons learned from this study suggest that these underlying tenets do not universally hold true and certainly cannot be uniformly applied in a prescriptive manner. The lessons learned have also indicated that the:

- causes of successful organisational performance lie in diverse factors and often unexpected combinations of actors and events or the degree of public and private sector intervention;
- political, economic and social setting in which environmental organisations are expected to perform their tasks is of critical importance to their sustained performance;
- development of environmental capacity is not necessarily (or desirably) permanent and does not necessarily follow a linear or incremental pattern;
- identification of partner organisations is critical at an early stage in the project or sector programme cycle;
- functions for which environmental capacity is needed must be specified and assessed for its appropriateness within a given setting;
- many tasks which contribute to promoting environmentally sustainable development require the concerted action of several organisations and are dependent, accordingly, on their ability to network effectively.

29. In several cases, CDE projects and programmes have been poorly and hastily designed. As a consequence, they are frequently over-ambitious and characterised by inadequate timeframes. These weaknesses are principally the result of the:

- limited assessments of the political, economic, social and institutional settings;
- limited organisational assessments, degree of consultation with other stakeholders and assessment or analysis of organisational options;
- inadequate specificity of environmental activities to be undertaken;
- preoccupation with short-term environmental 'solutions' at the expense of longer term CDE; insufficient attention in following-up on institutional and/or environmental assessments.

### ***Organisational Entry Points***

30. Furthermore, many environmental and CDE projects and programmes would appear to have been prepared on the basis of two underlying, and implicit, premises, viz.,

- address environmental problems through environmental projects and programmes and
- channel environmental projects and programmes through environmental organisations.

31. This study has shown that donor agencies *may* have lost opportunities to identify alternative and viable organisational partners in implementing their environmental strategies and programmes. Environmental challenges can (also) be addressed through non-environmental projects and programmes and non-environmental organisations <sup>16</sup>.

32. Paradoxically, non-environmental organisations are commonly better placed to co-ordinate cross-sectoral environmental issues than are environmental agencies. In addition, a number of evaluation reports clearly indicate that political commitment and support is a key prerequisite for improving environmental performance. This *can* have a strong bearing on the appropriate choice between many potential organisational entry points. The findings of this study indicate that:

- national public sector ‘environment’ institutions typically remain weak and their influence, as critical focal points, limited;
- non-environmental planning institutions can frequently provide more effective policy and planning champions;
- national policy research institutes can improve environmental policy dialogue processes and are better placed to suggest policy reforms than external change agents.

### ***Socio-Economic Considerations***

33. Many donor agencies ‘environmental’ and CDE projects and programmes continue to focus on the biophysical or technical aspects at the expense of the economic and social. Although biological and technical criteria are necessary to identify broad areas of interest for environmental programmes, political, socio-economic and institutional criteria should dictate the actual choice of project site or partner. In some areas, the combination of political and socio-economic factors *may* make some environmental projects simply untenable. For example, a recent evaluation report highlighted the dilemma confronting a villager in New Ireland Province, Papua New Guinea when he was required to choose between a lucrative short-term option and the less attractive environmentally sustainable option:

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16 A Netherlands Ministry of Foreign Affairs evaluation found that “environmental problems cannot be solved by means of specific environmental projects... if they do not or cannot address the underlying factors involved” and that “environmental interventions do not necessarily bring environmental benefits while projects not labelled environmental sometimes do much to improve environmental management” (Environment and Development Co-operation. Evaluation of Netherlands Aid Policy with regard to the environment. English Summary. 156 pp. Neda, 1994).

*“I think the Integrated Conservation and Development (ICAD) Project has some really good ideas. I am happy they are considering our children’s future. Why can’t we have logging now and then have the ICAD later”<sup>17</sup>*

34. The ICAD project was terminated prematurely after three years due to its incompatibility with an active logging concession and local community factionalism. The lessons learned from the project were, however, successfully mainstreamed in the design of a separate ICAD initiative in the Bismarck Mountains and Ramu flood-plain<sup>18</sup>.

### ***CDE Indicators and Monitoring***

35. Monitoring systems in most donor-supported environmental projects and programmes continue to focus on monitoring activities and outputs due, in part, to operating in an “indicator vacuum”. CDE projects still frequently lack adequate indicators. This is often due to the limited definition of baseline conditions of either environmental or institutional parameters, the limited analysis and assessment of the setting and its influence on project performance and the absence of environmental impact monitoring. In spite of a multitude of indicator initiatives, no coherent core set of environmental indicators is either recognised or applied by the international community. It is not clear what specific follow-up has occurred in relation to the CDE indicator framework commissioned by the Task Force on CDE in 1995<sup>19</sup>.

### ***D. RECIPIENT COUNTRY CAPACITIES***

36. Many recipient country governments have higher priorities than CDE. The over-riding concerns of many recipient governments have remained:

- overall macroeconomic performance through the promotion of economic efficiency (with relatively limited emphasis placed on distributional considerations) and
- the maintenance (or improvement) of basic social services.

37. These priorities have often been inextricably linked with measures aimed at ‘down-sizing’ government, decentralising government services and facilitating greater private sector and civil society involvement in a broad range of developmental efforts. Adjusted economic growth models still underpin development policy in many developing countries. A significant shift in emphasis towards environmentally sustainable development has occurred in only a few countries.

38. The integration of environmental concerns in national economic (and sectoral) planning and decision-making processes remains weak in many developing countries. This often reflects the overriding economic growth priority. The situation is also frequently compounded by the institutional segregation of key economic and key environmental boards, councils or commissions. A number of countries have attempted to establish

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17 Race for the Rainforest. Evaluating Lessons from an Integrated Conservation and Development “Experiment” in Papua New Guinea (GEF-UNDP, 1997 p. 67).

18 Lessons from an Integrated Conservation and Development “Experiment” in Papua New Guinea. GEF Lessons Notes 3. July 1998.

19 Other CDE indicator initiatives have, however, occurred. See, for example, Boesen, J. and Lafontaine, A., (1998) Indicators and Monitoring of CDE Initiatives Paper presented at the International Workshop on Danish Assistance to Capacity Development in Environment. Snekkersten, 12-14 May 1998. pp. 96-130.

'super' or new structures to signal greater political commitment to, and support for, environmentally sustainable development. In practice, however, such super structures do not function effectively and remain isolated in relation to solving localised environmental problems. Regional co-operation on environmental issues *may* have helped to galvanise such institutional responses from national governments.

39. In the context of the *generic* capacity constraints which have confronted developing country governments throughout the 1980s and 1990s, it is perhaps not surprising that most 'environment' organisations have not been able to cope with their significantly broadened mandates. The availability of adequate human and financial resources has not kept pace with the increased environmental demands. This problem is particularly acute at the decentralised level. Mobilising sources of local funding to sustain 'environmental' organisations and programmes remains a fundamental constraint in many countries. Innovative financing arrangements have, however, been successfully developed in a few countries. Managerial (and "commercial") capacity development is frequently absent or lags behind technical capacity *per se* in many organisational types. "Zero" financing options (policy reforms, the removal of subsidies and market distortions and the application of other economic instruments) to promote environmentally sustainable development have often proved difficult to implement for political, economic and social reasons.

40. With the support of donors, many types of 'environmental' organisations *have* successfully initiated processes of preparing environmental policies, environmental plans (National Environmental Action Plans, National Conservation Strategies, etc.), framework environmental laws, EIA guidelines and procedures and environmental standards, environmental databases and numerous environmental publications. This enabling work has not, however, been matched by the resources deployed during subsequent implementation. Environmental conditions have continued to deteriorate in several countries with predictable socio-economic consequences.

41. The capacity constraints of national public sector 'environment' institutions may have been further exacerbated by the growing donor agency support for global environmental issues. A recent consultative meeting found that:

*"Experience in many countries has shown that the overlapping and sometimes duplicative commitments under multiple (global) instruments can produce tremendous challenges. Commitments to prepare inventories, reports, plans and public information programmes, can lead to in-country conflicts, confusion and wastage of resources, particularly for countries with limited financial, human and institutional capacity."*<sup>20</sup>

42. Donor agencies and recipient countries are increasingly confronted with a real dilemma in terms of the trade-offs in addressing and providing resources in support of local, national and global environmental issues.

43. Recipient countries are encountering considerable difficulties using environmental information in developing and using operational CDE indicators which will:

- allow environmental resource users (the primary stakeholders) to set objectives and monitor progress at the local level;
- facilitate aggregation at the national level;

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20 Synergies in National Implementation. The Rio Agreements Proceedings of the Expert Meeting on Synergies among the Conventions on Climate Change, Biological Diversity, Desertification and the 'Forest Principles'. Israel, 17-20 March 1997.

- be compatible with performance-based accountability systems increasingly required by donor agencies without compromising the principles of “ownership” and “participation”.

44. On the other hand, many different forms of effective institutional networking have been developed to promote environmental policy dialogue including *i.a.* regional training programmes, national policy research institutes, national networks of focal persons, national environmental programmes involving several organisational types and NGO alliances<sup>21</sup>.

#### **D. SUCCESSFUL CDE PERFORMANCE**

45. A number of organisations *have* performed relatively well even in the context of overall poor public sector performance. Examples of eight organisational types that have performed relatively well in enabling settings and with enabling donor agency assistance have been identified during the study. These include *i.a.* the examples provided in the following section.

Regional Organisations can improve inter-governmental policy making, institutional networking, collective action and assistance for capacity development in environment but *may* have exacerbated national capacity constraints (e.g. Rural Energy Planning and Environmental Management, Eastern and Southern Africa Management Institute, Mekong River Commission and the Latin American and Caribbean Commission on Development and Environment).

National Policy Research Institutes can improve policy dialogue processes based on rigorous analysis and are better placed to achieve policy reforms than external change agents (e.g. Thailand Development Research Institute, Bolivian Social Policy Analysis Unit (UDAPSO) and the Centre for Social Research, Malawi).

National Ministries of Environment are over-stretched and under-resourced but can improve networking and co-ordination of a broad range of organisational types (e.g. the Ministry for the Co-ordination of Environmental Affairs, Mozambique, the Ministry of Sustainable Development and Environment, Bolivia and the Ministry of Environment and Parliamentary Affairs, Sri Lanka).

Other Sectoral Ministries can effectively address environmental issues and can (often) provide a more influential “critical focus” amongst government agencies (e.g. the National Watershed Development Programme for Rainfed Areas, Ministry of Agriculture (MOA), India, the Land Use Planning Section, MOA, Royal Government of Bhutan and the Soil and Water Conservation Branch, MOA, Kenya).

Specialised National Environment Institutes can effectively provide useful services to the public and private sectors and to civil society (e.g. the National Biodiversity Institute, Costa Rica, the Centre de Suivi Ecologique, Sénégal, the National Wetlands Steering Committee, Sri Lanka and the Environmental Protection and Training Institute, India).

Sub-National Organisations provide the most appropriate (public sector) institutional entry point to facilitate the translation of environmental policy and CDE principles into practice but are often characterised by severe generic capacity constraints (e.g. the Sarhad Provincial Conservation Strategy, Pakistan, the District Environmental Action Planning in pilot Rural District Councils in Zimbabwe, some Changwats in Thailand and some of the State-level departments in India).

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21 Environmental Policy Dialogue: Lessons Learned (USAID, 1997).

Non-Governmental Organisations' strengths lie in their participatory, training, networking and public information skills which can be effectively harnessed to serve as a critical bridge between public sector institutions and local communities. Their critical weaknesses lie in management capacity, "founders" syndrome (dependency on one charismatic person) and weak funding bases (e.g. the Centre for Science and Environment, India; the alliance of SAFIRE, BUN and ENDA, Zimbabwe and the Environmental Defence League, Bolivia).

Community-Based Organisations are increasingly emerging in good governance settings and often require substantial complementary assistance to address constraints associated with underlying economic and social conditions (e.g. the Doi Sam Muen Watershed Network Organisation, Mae Taeng Watershed Management Unit, Chiang Mai Province, Thailand; the Orangi slum dwellers' sewage and sanitation initiative, Karachi, Pakistan; small-scale farmers' associations in Ecuador, Peru and Bolivia).

#### IV. CONCLUSIONS

46. Although donor organisations would still appear to be less effective at CDE than at other types of ODA, considerable progress has been made notably in terms of the growing importance of environment in general and the growing mainstreaming of environmental issues. CDE presents a profound challenge to donor organisations and recipient country institutions because of the complex interplay of socio-cultural, political, economic and environmental interests. A lucid cautionary note raised in the CDE Framework in 1995 is still relevant:

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

47. Three functional objectives of CDE processes require particular attention if the *Shaping the 21<sup>st</sup> Century* goal of reversing current trends in the loss of environmental resources is to be effectively addressed at local and national levels by the year 2015. These are:

- further strengthening of capacities to plan and implement at the lowest appropriate institutional level;
- further strengthening of capacities to effectively utilise and apply existing environmental tools and instruments and to monitor environmental impacts with, by, and for environmental resource users;
- further strengthening of capacities to mobilise additional and sustainable sources of funding.

48. Improvements in CDE performance could also be gained by:

- strengthening the planning and preparation of CDE interventions particularly in terms of undertaking more thorough *ex-ante* organisational analyses and assessments of the institutional setting and management capacities;
- matching policy objectives with realistic timeframes for implementation and longer term commitments;
- integrating environmental, social and economic aspects at all levels;
- revising environmental procedures and environmental guidelines with a clear view of capacity constraints;
- adopting more flexible programming approaches which espouse a willingness to experiment and to learn from “failure”;
- adopting more flexible approaches to funding and reporting.



**APPENDIX 1 : OVERVIEW OF DAC MEMBERS WHO PARTICIPATED IN THE CDE STUDY**

<b>DAC Member/ Organisation</b>	<b>Evaluation Reports Forwarded</b>	<b>CDE Questionnaire Response</b>	<b>Written Comments to 'Work in Progress' Documents <sup>22</sup></b>
<b>Australia</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Austria</b>	<b>-</b>	<b>Yes</b>	<b>-</b>
<b>Belgium</b>	<b>Yes</b>	<b>-</b>	<b>-</b>
<b>Canada</b>	<b>-</b>	<b>- <sup>23</sup></b>	<b>Yes</b>
<b>Denmark</b>	<b>Yes</b>	<b>Yes</b>	<b>-</b>
<b>Finland</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>France</b>	<b>Yes</b>	<b>-</b>	<b>-</b>
<b>Germany</b>	<b>Yes</b>	<b>-</b>	<b>- <sup>24</sup></b>
<b>Ireland</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Italy</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Japan</b>	<b>Yes</b>	<b>Yes (MoFA + OECF)</b>	<b>-</b>
<b>Luxembourg</b>	<b>Yes</b>	<b>Yes</b>	<b>-</b>
<b>Netherlands</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>New Zealand</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Norway</b>	<b>Yes</b>	<b>-</b>	<b>-</b>
<b>Portugal</b>	<b>-</b>	<b>Yes</b>	<b>-</b>
<b>Spain</b>	<b>-</b>	<b>Yes</b>	<b>-</b>
<b>Sweden</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Switzerland</b>	<b>Yes</b>	<b>-</b>	<b>Yes</b>
<b>United Kingdom</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>USA</b>	<b>Yes</b>	<b>-</b>	<b>-</b>
<b>CEC</b>	<b>Yes</b>	<b>Yes</b>	<b>-</b>
<b>ADB</b>	<b>-</b>	<b>Yes</b>	<b>-</b>
<b>World Bank</b>	<b>Yes</b>	<b>-</b>	<b>Yes</b>
<b>UNDP</b>	<b>Yes</b>	<b>-</b>	<b>-</b>
<b>EBRD</b>	<b>-</b>	<b>- <sup>25</sup></b>	<b>-</b>
<b>OECD Secretariat</b>	<b>Yes</b>	<b>N/A</b>	<b>Yes</b>
<b>TOTAL</b>	<b>18</b>	<b>13</b>	<b>9</b>

22 Room Document No. 4 and attendant Background Document discussed under Agenda Item No. 6b at the 30th DAC Working Party on Aid Evaluation Meeting, Paris, 27-28 May 1998.

23 Expression of interest in completing the questionnaire received by e-mail on 13 February 1998.

24 Extensive discussions were held with representatives of BMZ, KfW and GTZ between 17-18 September 1998.

25 Letter of general interest in CDE of the Multilateral Finance Institutions including the European Investment Bank dated 30 March 1998.

**APPENDIX 2: OVERVIEW OF DAC MEMBERS' RESPONSES TO THE CDE QUESTIONNAIRE**

<b>No.</b>	<b>QUESTION</b>	<b>RESPONSE</b> <sup>26</sup>
<b>1</b>	<b>Respondent details including years of present function</b>	Environmental specialists have on average been 3.7 years within their respective departments (n = 10)
<b>2</b>	<b>Has your aid administration produced CDE guidelines?</b>	77% do not have their own CDE guidelines
<b>3</b>	<b>Do you use other CDE guidelines in your work?</b>	62% refer to other CDE guidelines published by <i>i.a.</i> OECD-DAC and IIED
<b>4</b>	<b>Have there been other initiatives to promote understanding and awareness of the principles of CDE?</b>	92% have undertaken other types of CDE initiatives including <i>i.a.</i> training, national workshops, revision of EA/EIA guidelines
<b>5</b>	<b>To what or, with whom, do other departments refer, or consult with, on technical and institutional environmental issues?</b>	Evaluation reports are consulted occasionally (54%), rarely (38%) and most frequently (8%) as a source of information on technical and institutional environmental issues
<b>6</b>	<b>Does your aid administration use any of the OECD-DAC CDE guidelines?</b>	85% have sometimes used the OECD-DAC CDE Guidelines
<b>7</b>	<b>Are there environmental policy statements, guidelines and profiles published by your own aid administration?</b>	54% have often used environmental policy statements, guidelines and profiles. 85% do not have policies or strategies to promote the decentralization of CDE
<b>8</b>	<b>Is 'environment' important as a sector and/or as a cross-cutting issue in your ODA programme?</b>	46% indicated that 'environment' was very important as a sector whereas 31% indicated that 'environment' was very important as a cross cutting issue
<b>9</b>	<b>How would you rank the emphasis placed on 'environment' by your aid administration in relation to other cross-cutting issues?</b>	Priority cross-cutting issues were specified as poverty (69%), environment (23%) <sup>27</sup> and trade and debt (8%)
<b>10</b>	<b>Do you think it will be easier or more difficult to integrate environmental considerations in sector programmes than in individual projects?</b>	62% estimated that environmental issues will be more difficult to address in sector programmes
<b>11</b>	<b>Which are the <u>key</u> constraints in your aid administration which may limit the extent to which environmental considerations are satisfactorily addressed?</b>	Key constraint to address environmental concerns in ODA specified as limited in-house capacities, reflected in the small numbers of specialist staff; inadequate training opportunities; existing procedures not rigorously applied and/or EA guidelines under-utilized

<sup>26</sup> All respondents were from donor agency environment departments. Number of Respondents (n) =13 unless specified. Caution has to be taken in interpreting and extrapolating these collated responses.

<sup>27</sup> One respondent ranked environment as the first priority issue in accordance with "current workload".

**APPENDIX 2: OVERVIEW OF DAC MEMBERS' RESPONSES TO THE CDE  
QUESTIONNAIRE (CONTINUED)**

<b>No.</b>	<b>QUESTION</b>	<b>RESPONSE</b>
<b>12</b>	<b>Which countries include environment and natural resource management sector programmes and/or projects?</b>	DAC Members currently support an estimated 203 'environment' sector programmes in 93 countries <sup>28</sup>
<b>13</b>	<b>Estimate what proportion of funding is specifically allocated for CDE activities?</b>	62% estimated that CDE typically accounts for between 10-25% of overall support for environmental projects and programmes in ODA
<b>14</b>	<b>In which sectors are environmental concerns successfully addressed ?</b>	Environmental concerns are most often successfully integrated in the Water, Energy and Forestry sectors
<b>15</b>	<b>Examples of sector programmes and/or projects where environmental concerns are successfully integrated</b>	Discernible improvements in addressing environmental concerns in recent years. 85% of examples cited were from Central and South American or Asian countries.
<b>16</b>	<b>In which sectors have environmental concerns not been successfully addressed ?</b>	Environmental concerns are most often poorly integrated in the Education and Health sectors, Development Planning and Programme Assistance
<b>17</b>	<b>Has your aid administration turned down a project or programme due to the lack of attention to integrating environmental considerations?</b>	46% have rejected project proposals on environmental grounds. 31% provided concrete examples
<b>18</b>	<b>What initiatives to support and develop the use of environmental economic valuation techniques?</b>	67% have supported the development and use of environmental economic valuation techniques frequently as part of research and training programmes (n = 12)
<b>19</b>	<b>Which mechanisms have promoted greater understanding of the CDE principle of integration of environment and development?</b>	Numerous mechanisms have promoted greater communication and understanding of the principle of integrating environment and development (n = 10)
<b>20</b>	<b>Which types of organisations are supported through your aid administration's environment and natural resource management projects and programmes?</b>	National environment ministries are the most frequently-supported organisational type. Private sector, media and consulting organisations are, comparatively, rarely assisted (n = 12)

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Estimate includes 'major' and 'minor' programmes. See Sector Matrix. Background Document No. 1 presented at the 30<sup>th</sup> DAC Working Party on Aid Evaluation Meeting, 27-28 May 1998.

**APPENDIX 2: OVERVIEW OF DAC MEMBERS' RESPONSES TO THE CDE QUESTIONNAIRE (CONTINUED)**

<b>No.</b>	<b>QUESTION</b>	<b>RESPONSE</b>
21	<b>Examples of organisations which have improved capacity in environment</b>	Several donor-supported organisations have developed capacity in environment
22	<b>Which funding mechanisms are used by your aid administration to support different types of organisations involved in CDE activities?</b>	Bilateral and multilateral grant assistance and embassy-administered funds are the most commonly used funding channels to support environmental projects and programmes
23	<b>Are institutional 'twinning' arrangements between institutions in your country used to support CDE activities?</b>	75% have supported institutional twinning arrangements between donor and recipient country institutions
24	<b>Are institutional 'twinning' arrangements between institutions in different recipient countries used to support CDE activities?</b>	25% have supported institutional twinning arrangements between two different recipient countries
25	<b>Does your department use specific tools or guidelines in making assessments of existing institutional capacity?</b>	46% have tools for assessing existing organisational capacities. Some DAC Members use in-house institutional development advisors and are developing Institutional Sector Assessment Guidelines or generic capacity development strategies
26	<b>Do clearly defined criteria exist which your department is expected to follow in the choice and selection of institutional partners?</b>	69% have loosely-defined criteria used in the selection and choice of organisational partners for environmental projects and programmes
27	<b>Do any of these criteria include a formalized requirement to define and elaborate on the alternative institutional options which have been considered prior to final selection?</b>	23% have a formalized requirement to assess alternative organisational options prior to selecting organisational entry points for environmental projects and programmes
28	<b>Which mechanisms have promoted greater communication and understanding of the CDE principle of institutional pluralism?</b>	38% specified mechanisms which have promoted communication and understanding of the CDE principle of institutional pluralism. One respondent noted that "the average Desk Officer is not familiar with the concept of institutional pluralism"
29	<b>How would you assess and rank the relative importance accorded in your ODA to different types of CDE activities?</b>	Extremely variable responses. 31% did not attempt to rank the types of CDE activities

### APPENDIX 3: OVERVIEW OF DAC MEMBERS' GENERIC AND ENVIRONMENT CAPACITY CONSTRAINTS

Key Constraint to:	Example (s)	Exception (s)	Source (s)
<b>GENERIC CAPACITY</b>			
Centralised decision-making and budgetary authority	Most donor agencies GEF	Neda after 1996 Embassy-funds GEF <i>Small Grants Prog.</i>	<i>i.a.</i> World Bank/ UNDP/UNEP (1994)
Recentralised decision-making and budgetary authority	CIDA	-	Morgan (1993)
High rotation of personnel (usually an explicit policy of Ministries of Foreign Affairs) which mitigates against 'institutional learning'	Most bilateral donor agencies and UNDP	World Bank?	<i>i.a.</i> Danida (1996) and Finnida (1998)
Limited number of institutional specialists	Most donor agencies	-	Huizenga (1997)
Short project and programme cycles, typically 2-5 years	Most donor agencies	KfW and GTZ ?	Baser (1994)
Organisational culture based on "pressure to lend" or "pressure to spend"	World Bank and many bilateral donor agencies	UNDP?	Rich (1994) Danida (1996) CEC (1997)
Endemic understaffing in relation to the overall size of ODA budgets	Most donor agencies	-	JACSES (1996)
Limited support from senior management	Many bilateral donor agencies	-	<i>i.a.</i> Danida (1996) Finnida (1998)
Limited effective <u>intra</u> -organisational co-ordination and weak information/data retrieval systems	Many donor agencies	-	-
Lessons learned from evaluations not internalised	Many donor agencies	-	DAC (1997) + Sida (1997)
Over-emphasis on technical qualifications in the recruitment of external advisors	Most donor agencies	-	Healy (1995)
Public audits address accountability issues but usually fail to examine the root causes of institutional (under) performance	Most donor agencies	World Bank	<i>Portfolio Management Task Force and JACSES (1996)</i>
<b>SPECIFIC ENVIRONMENTAL CAPACITY</b>			
Lack of conceptual clarity	Most donor agencies	World Bank?	Baser (1994) Dixon (1997)
Limited number of environmental specialists	Most donor agencies	World Bank	CIDA (1995) CEC (1997)
No environmental specialists within the donor agency	<i>i.a.</i> Luxembourg and Austria	-	CDE Questionnaires
Limited decentralisation of donor agencies' own environmental expertise	Most donor agencies	Neda	Huizenga (1997) CEC (1997)
Limited compliance with established procedures regarding screening, strategic environmental assessments and EIA	Most bilateral and multilateral donor agencies	World Bank (cf. OD 4.01 and 4.02 (1991/2))	<i>i.a.</i> Mwalyosi and Hughes (1998)
Limited follow-up to and relevance/ effectiveness of 'environmental' training provided to in-house 'generalist' staff	Most donor agencies	CEC (DG IB)	USAID cited in JACSES (1996) CEC (1997)
Limited awareness of the CDE concept outside of environment departments	Most donor agencies	GTZ?, CIDA?, World Bank?	OECD-DAC (1989)

Sources: Several donor thematic 'Environment and Development' evaluation reports cf. Endnote 13.