

PARIS DECLARATION ON AID EFFECTIVENESS AND IMPLICATIONS ON ENVIRONMENTAL SUSTAINABILITY ¹

1. Introduction

1. The *Paris Declaration on Aid Effectiveness*, signed in March 2005, establishes global commitments for donor and partner countries to support more effective aid in a context of significant scaling up of aid. The intention is to reform the delivery and management of aid in order to improve its effectiveness. The reforms are intended to ‘*increase the impact of aid ...in reducing poverty and inequality, increasing growth, building capacity and accelerating achievement of the MDGs*’.² The Declaration also provides an action-oriented roadmap for aid reform built around five main principles. This includes indicators, time tables and targets for actions by donor and partner governments, as well as an evolving agenda for clarification and dissemination on commitments and for implementation and monitoring of progress, up to 2010.

2. The next landmark event will be the Third High Level Forum on Aid Effectiveness in Accra Ghana in 2008. Participants include 35 donor countries and agencies, 26 multilateral agencies, 56 countries that receive aid and 14 civil society organisations. The meeting will, among other objectives, review progress with respect to a number of agreed quantitative indicators.

3. The Declaration itself and the twelve indicators for its monitoring focus on *mechanisms and processes* rather than on substantive issues such as development *content and outcomes*. Accordingly, to date, the focus of attention by donors and partners has chiefly been on the “nuts and bolts” aspects of aid delivery mechanisms such as public financial management process, public procurement and the harmonisation of related donor procedures.

4. However, implementation of the Declaration opens up opportunities to engage in a development effectiveness agenda which addresses the quality and ultimate substantive results of development processes.

5. This note provides an overview of the Paris Principles and associated opportunities and risks from the perspective of environmental sustainability.

2. The Paris Principles and environmentally sustainable development

6. The Paris Declaration is based on the following five main principles:

i) Ownership: Partner countries exercise effective leadership over their development policies and strategies and co-ordinate development actions

7. This Principle, which underlies all the others, implies that developing country partners lead their own development paths and ensure sustainability over the long term. This includes recognising the

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2. From the Paris Declaration <http://www.oecd.org/dac/effectiveness/parisdeclaration>

environmental resources and assets underlying development, addressing environmental degradation and commitments to the multilateral environmental agreements which they have signed up to.

- ‘Ownership’ has several dimensions, some easily measured and others not. For the purposes of the Paris Declaration, the indicators to measure ownership are based on the World Bank’s 2005 Comprehensive Development Framework (CDF) Progress Report, complemented by a qualitative assessment drawn from the World Bank’s Aid Effectiveness Review³. The criteria used to assess the operational value of national development strategies are i) a coherent long term vision, ii) a medium-term strategy derived from it; iii) country-specific development targets; iv) holistic, balanced and well-sequenced and v) capacities and resources for its implementation. These criteria are very close to those generally accepted as defining a “sustainable development strategy”. However, critical long-term issues relating to environmental sustainability including issues of climate change, biodiversity, and desertification have not received much attention in the 2005 CDF Review Report.
- Of the 31 countries covered by the Paris Declaration monitoring process, only 5 have “*largely or substantially developed operational development strategies in 2005*”⁴. This suggests ample scope for improvement in the future, and opportunities to strengthen the “long-term orientation” of strategies and the extent to which they engage natural resource sector ministries, environmental agencies, civil society and private sector actors in defining the development agenda.
- Nevertheless, country ownership and leadership in the development of national development strategies have deepened over the last few years, and strategies are increasingly comprehensive and well-balanced. In many instances improved ownership and country partner leadership have fostered the better integration of environment into national development strategies. Tanzania provides a good example of this and a concrete illustration of the Paris Declaration commitment to “Exercise leadership (...) through broad consultative processes”,⁵ (See Box 1). Donors have played an important supporting role in the process.

Box 1. Tanzania: Ownership and active stakeholder involvement lead to a more sustainable Poverty Reduction Strategy.

In Tanzania, as in many other countries, the first PRSP cycle focused only on a few priority sectors and excluded environment, gender and other cross-cutting issues. As a result it was widely perceived as a top-down “master-planning” exercise mainly aimed at central parts of government and donors.

For the “second generation” PRSP, the government strove to institutionalize broad participation of stakeholders and decided to focus explicitly on the cross-cutting issues, including environment. As a result, ownership of the revised, much more balanced PRSP (Tanzania’s National Strategy for Growth and the Reduction of Poverty (MKUKUTA) within and outside government has increased considerably. Key factors in this success were :

- The MKUKUTA was led at the highest political level- the President himself made clear his expectations for timely delivery of results, calling for regular briefings and offering feedback. This encouraged intellectual inquiry, public consultation and cross-sectoral debate.
- The MKUKUTA was established as a political process from an early stage. Parliamentary and political engagement ensured that political issues such as the environment, human rights and gender were given the

3. This review is based on a broad and fully transparent consultative process with partner authorities and donors. The World Bank will publish the Review and its assessment methodology.
4. 2006 Development Co-operation Report.
5. Para 14 of the Paris Declaration.

necessary space in the process. In this way, the MKUKUTA was an informed political consensus on poverty reduction, and not merely a governmental technical planning exercise.

- The MKUKUTA Technical Committee and Secretariat was a multi-departmental initiative, which included NGOs. It used its position to facilitate a wide range of consultative and analytical tasks, review inputs received, managing lobbyists to ensure equity and ensure that cross-cutting issues that matter to livelihoods, growth and security, such as environment, gender and human rights, were well reflected in the analysis, debate and recommendations.
- Donors played a supportive role in this process, by supporting the Vice President's Office "Integrating Environment Programme". A few "environmental champions" within the Development Partner Group on Environment also helped to develop coherent policy positions across donors
- A high-level, cross-cutting government body organized the process of environmental integration – the Vice President's Office, which had the dual mandate of poverty reduction and environmental conservation
- The Ministry of Finance's expenditure review process aimed at identifying contributions to developmental outcomes, in an attempt to shift attention from the previous 'priority sectors'. The environmental expenditure review revealed the many outcomes to which the environment potentially contributes – as well as the current low level of environmental investment and environmental revenue capture. This review process led directly to a 500% increase in the government environment budget. The Ministry of Finance was also influential in reorganizing the budget process to link directly to the resulting MKUKUTA plans.

Source: Environment at the Heart of Tanzania United Republic of Tanzania Vice President Office and IIED 2007

ii) Alignment: Donors base their overall support on partner countries' national development strategies and procedures

8. The central thrust of this commitment is to strengthen and support the capacities of developing country partners, rather than create and/or work through parallel institutional structures. This is based on the recognition of how aid procedures in past decades have often undermined domestic institutions.

9. Seven of the 12 monitoring indicators for the *Paris Declaration* address this commitment. They focus on issues relating to public financial management and procurement systems and their use, alignment of aid flows to national priorities, co-ordinated support for capacity strengthening, avoidance of parallel implementation units and making aid more untied and predictable.

10. However, when aligning with partners' priorities, donors need also to ensure institutional capacities for safeguards to address potential negative social or environmental impacts of the programmes they support. In most cases, safeguards will flow from the national environmental legislation of partner governments or their international commitments in relation to global environmental issues. In other cases, they may be linked to legal or policy prescriptions ("due diligence") regarding the environmental impacts of development co-operation engagements. A major implication here is that – where once donors' own capacities to integrate environment into development planning will have been a priority – the Paris Declaration throws the spotlight on the adequacy of 'country systems'. It also puts the onus on in-country capacity development.

11. While most legally-binding environmental assessment provisions apply to the project level, most donors have an obligation to ensure the environmental sustainability of the policies and programmes they support. Aligning behind partners' policies in no way implies that donors should refrain from engaging in discussions of environmental issues with Partners, notably in connection to sectors or activities that have

significant environmental consequences or in areas that are environmentally sensitive or vulnerable to environmental change. Development partners have demonstrated interest to further develop their capacities to ensure environmental sustainability. Alignment of donors to country priorities involves supporting the development of these capacities.

12. “Strategic Environmental Assessment” (SEA) approaches were developed to respond to this challenge (Box 2) and are particularly useful in the context of Sector wide approaches (SWAs), whereby donors align their support behind a specific sectoral plan (e.g. transport, energy, health, water supply etc.). SEA, which can also be applied in the context of General Budget Support, does not just aim to minimize the potential negative environmental impacts of a particular sectoral plan. In many cases, it seeks to realise positive environmental potentials – identifying environmental factors critical to a plan’s long-term success. For example, policies and plans to develop hydropower energy or irrigated agriculture must take account of other demands for water as well as future climate conditions, which may significantly affect water supplies, with direct impacts on the performance of infrastructure such as dams and indirect impacts on water availability, livelihoods etc. Similarly, a plan to develop the forestry sector, must take explicit account of both the wide range of environmental goods and services which forests provide, and the environmental impacts and sensitivities associated with different forestry development options.

Box 2. Strategic Environmental assessment helps adjust forest policies in Ghana

The Challenge :

A Strategic Environmental Assessment of the Ghana Poverty Reduction Strategy (GPRS) identified potential conflicts between the forest policy (aimed at broadening the resource base of the wood industry) and environmental protection of riverbank ecosystems. As a result of the threats facing the forests and rivers, the government decided to modify the national forest policy. In less than six months, the government had set up nurseries to raise bamboo and rattan plants in order to increase the supply of raw materials for industry, thereby helping protect riverbanks from uncontrolled harvesting of wild bamboo and rattan.

Key benefits

- Reduced pressure on primary forests and fragile river ecosystems.
- Creation of new timber resources.
- Employment for local people.

Source: Applying Strategic Environmental Assessment in Development Co-operation. DAC Guidelines and Reference Series 2006.

iii) Harmonisation: Donors’ actions are more harmonised, transparent and collectively effective

13. The objective of harmonisation of donor procedures is mainly to reduce the administrative transaction costs of providing development co-operation support. This is particularly critical when a government has to deal with many different donors which although committed to harmonisation with all good intentions have their own ideas about what processes should be followed.

14. The Paris Declaration monitoring indicators for this principle relate to 1) the share of assistance provided through programme-based approaches (which include Sector-Wide Approaches and others) and 2) the extent to which donors join forces to undertake necessary analytical work and capacity strengthening in partner countries.

15. The Paris Declaration explicitly recognizes efforts made by donors in the past to harmonize their project-level environmental impact assessment (EIA) procedures – indeed, this is one of the earliest examples of effective harmonisation. It also recognizes the need to deepen such procedures both to take account of global environmental issues such as climate change, desertification and biodiversity loss, and to take account of donor’s increased focus on programme-level approaches.

16. The Paris Declaration calls upon donors and partners to “develop and deepen common procedures for projects and develop and apply common approaches for “strategic environmental assessment “at the sector and national level.”⁶ It also implies donors joining forces to provide co-ordinated capacity development support. In Rwanda, for example, the development co-operation agencies of Canada, Sweden and the Netherlands are working together to develop capacity to support energy development in rural areas. In Ghana, a joint approach is emerging in the area of Natural Resources and Environmental Management, supported by a Joint Country Environmental Analysis (CEA) funded by the World Bank, DFID, the Netherlands and the AFD. The EC is also using the CEA for the preparation of its Environmental Profile.

Box 3. Joint review of the Productive safety Nets Programme in Ethiopia

The Government of the Federal Democratic Republic of Ethiopia works with a group of donors (bilateral and multilateral) to implement its Productive Safety Nets Programme (PSNP). The PSNP aims to reduce food security through labour-intensive public works and direct support to chronically food insecure households.

A review of the public works conducted under the PSNP was carried out by Government and donors in June 2006. The assessment methodology was jointly developed and implemented in the field.

One of the key issues examined in relation to the public works was environmental sustainability. The review found that many of the works such as rural road construction, soil and water conservation and water supply had negative impacts on the environment. For example rural roads were being constructed in such a way that they were contributing to erosion.

Based on the joint review, measures are being put in place to mitigate against these environmental impacts in future public works.

Source: Government of the Federal Democratic Republic of Ethiopia, Ministry of Agriculture and Rural Development, Productive Safety Nets Programme, Summary of the Public Works Review Findings for SNNPR, Oromia, Amhara and Tigray Regions. June 2006.

iv) Managing for Development Results

17. This principle emphasizes the need for results-oriented policies and programmes, and the need to regularly monitor actual outcomes, in order to identify corrective measures as needed.

18. The Paris Declaration indicator for this commitment is the presence of a results-oriented framework to assess progress against national development strategies and sector programmes. This focus on the extent to which inputs and activities of different actors, both donors and partner countries, are being translated into outputs and ultimately into outcomes and development results. It is imperative that such assessment frameworks take account of all relevant dimensions including environmental sustainability. The case of Madagascar illustrates how this can be done. As in the case of “ownership”, monitoring of

⁶ Para 41 of the Paris Declaration.

progress under this commitment is based on the World Bank's 2005 Comprehensive Development Framework (CDF) Progress Report, complemented by a qualitative assessment drawn from the World Bank's Aid Effectiveness Review.

Box 4. Managing for Development Results: the Madagascar experience

Madagascar has major biodiversity conservation challenges, owing to a combination of high diversity, endemism, and a high degree of natural risk threat.

The third phase of the National Environment Action Plan (NEAP), has helped the government to take the environmental agenda into its own hands. It is supported by bilateral donors (the United States, Germany, France, Switzerland, Japanese), multilateral donors (the Global Environment Facility, the World Bank and International Development Association, the UN Development Program), and NGOs (the World Wildlife Federation, Conservation International, the Wildlife Conservation Society).

Following a multi-donor–government review which signaled overly ambitious objectives, this phase of the Plan has a strong focus on monitoring results objectives and achievable indicators. A results-based program approach was supported with better instruments and tools for planning management, co-ordination, and decision-making. A comprehensive Monitoring and Evaluation (M&E) system has been established to organize information flows to capture the various project outcomes that together comprise the third phase. It is based on a common set of indicators. The key to this M&E system is a corresponding donor agreement to track their input by the common indicators and outputs rather than financial inputs.

Evidence emerging from NEAP's monitoring and evaluation system confirms the positive impact of the program on the ground, despite the need for more objectively verifiable benchmarks to discount inflated expectations fueled by overly ambitious targets.

Madagascar's National Environmental Action Plan can be seen as a "model" national program for ensuring dialogue and partnership between government and donors. The *Politique General de l'Etat 2005*, proposes to develop 11 national programs related to the Poverty Reduction Strategy Paper—its vision: *Madagascar, Naturellement*. These programs are to be based on underlying principles central to the third phase of the National Environment Action Plan: Strategic and operational orientation shared by all actors; performance-based programming with clear objectives, results and indicators; coherence among donor interventions; and a clear call to all stakeholders, including local communities and the private sector. The process is grounded in over a decade of donor-country round tables in the country.

Source: Managing For Development Results Principles in Action: Source Book on Emerging Good Practice, OECD/DAC 2005.

19. In Tanzania, the MKUKUTA is set in a results-based framework designed to lead directly into budgeting, work planning and donor partnerships. Three visionary 'clusters of outcomes' were identified: 'Growth and Reduction of Poverty'; 'Quality of Life and Social Well-Being'; and 'Governance and Accountability'. For each cluster, a framework follows the logic: goals> targets> interventions> packages> contributing actors > indicators. Feedback shows that this helps stakeholders to understand who is doing what, why they are doing it, and what the expected results.

v) Mutual accountability: Donors and partners are accountable for development results

20. The indicator of progress on the implementation of for this principle is the number of partner countries that undertake mutual assessments (i.e. by the national government and the donors) of progress in implementing agreed commitments on aid effectiveness. However accountability is more broadly: the existence of strong national accountability mechanisms e.g. parliaments, media and civil society, that hold government's accountable to its citizens; and not merely accountability between the donor and recipient government.

21. Moreover, both donors and partner countries have a range of international commitments, which – while not necessarily directly linked to development co-operation – have implications for policies which shape the development co-operation agenda. For example, donors and partners’ policies in energy, transport or industrial development may support or hinder progress towards the goals of the UN Framework Convention on Climate Change as well as global agreements in the area of chemical management. Similarly, policies in forestry, agriculture and lands may support or hinder progress towards the goals of the UN Convention on Desertification (UNCCD) and UN Convention on Biodiversity (UNCBD). Such issues need to be taken up as part of policy dialogue to ensure “translation” of the goals of the conventions into a relevant national context and their integration into relevant national policies and programs; to promote coherence among different policy domains and to make full use of “win-win” development-global environment opportunities.

22. DFID has supported debates amongst Parliamentarians and the judiciary in Kenya on the wide-ranging implications of lands and forest laws for the environment and poverty reduction. ComPlusAlliance⁷ – supported by Danida and SIDA amongst others, is supporting a series of international and regional dialogues between parliamentarians on the implications of climate change on ecosystems. The World Resource institute has also worked with its partners in Africa to address the disconnect between national policies and citizen interests. (See Box 5).

Box 5. Engaging Parliamentarians in policy debates on the environment

In many countries, public policies do not adequately reflect or support the environmental needs of its citizens. Although natural resources are extremely important to the livelihoods of most rural people, government policies typically favor the interests of small, elite groups. In most African countries, because of the power of centralized governments, parliament is a key mechanism in which citizen’s interest and concerns are best represented and taken into consideration in national environmental policies.

For the past five years, the World Resource Institute (WRI) has been working with its partners in Africa to address the disconnect between national policies and citizen interests by conducting research on the incentives and disincentives that exist for Members of Parliament (MPs) in representing the environmental interests of their constituencies. One of the major recommendations that resulted from this research was the need to develop independent monitoring systems to measure the representative performance of MPs, parliamentary committees, and parliament as a whole.

Parliamentarians attending the First International Conference of Parliamentarians for the Sustainable Management of Forest Ecosystems in Central Africa, held in Yaoundé, Cameroon in October 2006 agreed for the need to establish an Environmental Caucus in each country in the Central Africa sub-region.

3. How has environmental sustainability fared so far in the Aid Effectiveness Agenda?

23. Evidence to date shows that environmental sustainability has not fared well in the broader aid effectiveness agenda. Reviews of Poverty Reduction Strategies and of Sector Wide Approaches suggest that, with some exceptions, they have largely overlooked environmental issues. There are also signs that environmental issues are being sidelined in the evolving Joint Assistance Strategies. JAS results in competition between donors over the largest sectors such as health and education, while detracting attention from the less popular cross cutting issues. In the struggle to determine comparative advantage and assign sectors, the cross cutting issues are often sidelined and responsibility for them may not be clearly designated, meaning that they are under or un-represented in the development agenda.

⁷ ComPlusAlliance is a communications alliance between the World Bank, IUCN, GEF, Reuters, BBC and others aiming at ensuring better communication and understanding of sustainable development challenges.

24. The recent Joint evaluation of Partnership General Budget Support (PGBS)⁸, which covered Burkina Faso, Mozambique, Uganda, Rwanda, Nicaragua, Vietnam and Malawi found that *“In Burkina Faso, Malawi and Nicaragua there is, overall, a limited relationship between non-political cross-cutting issues [which include gender, environment, HIV/AIDS and human rights] and PGBS, with some specific policy formulation actions or indicators for gender and HIV/AIDS, but not directly for the environment”*

25. It also notes that “There are many examples of complementarities between PGBS and other modalities in addressing cross-cutting issues [...] PGBS is not a substitute for all specialist crossing-cutting work, but has potential to assist in cross-sector visibility and mainstreaming, as well as harmonisation across International partners. This is especially so because of the PGBS focus on the national budget and core public policy processes”.

26. A recent review of environment in the context of General Budget Support⁹ reaches similar conclusions but cautions that GBS instruments, which work on the basis of established policies, may have limited effectiveness with regard to fostering policy changes. The review also emphasizes the need for complementary instruments to support environmental integration in policies and plans such as technical assistance, capacity building and support for civil society organisations; to support multi-stakeholder policy debates on the environment and to help build analytical capacity within environmental agencies. This is in line with the Paris Declaration which puts special emphasis on developing countries’ capacities.

4. Summing up: The Paris Declaration Principles: opportunities, risks and key challenges

27. The Principle of “**ownership**” can help foster the better integration of environment into national development strategies, notably by widening the range of stakeholders involved in the formulation of national policies and plans. This is particularly important at the local and district level where environmental issues are inextricably linked to poverty and are more likely to be prioritised by the local population.

28. However, the principle of “**Alignment**”, if interpreted narrowly, could also deter donors from targeting support for issues of particular concern such as environmental sustainability at the local, national or global level. In countries where awareness of the links between livelihoods and environment is weak and where politically powerful vested interests have a strong stake in the perpetuation of unsustainable patterns of natural resource exploitation (e.g. oil, mining, forestry), policy makers are unlikely to seek support to address the environmental challenges. As donors must align themselves with government policy, the absence of priorities in the area of the environment hinders them from engaging with issues critical to sustainable development. Environmental sustainability is a global commitment and invariably a foundation for long term development, yet it continues to be treated as a marginal issue.

29. There is therefore a risk of incoherence between donor countries’ policies and efforts in the area of development co-operation and those in the area of environment. Donors therefore have a responsibility to ensure that the policies and programs which they support promote development that is sustainable in the long term and does not undermine international efforts to protect the global environment. This includes raising awareness of the impacts of global environmental threats on partners’ development prospects. A specific example of this is the need to assist partner countries to develop their capacity to adapt to future climate change.

⁸ http://www.oecd.org/document/61/0,2340,en_21571361_34047972_33637693_1_1_1_1,00.html.

⁹ Addressing environmental objectives in the context of budget support. Overseas Development Institute 2006.

30. The DAC Guidelines on Integrating the Rio Conventions into Development Co-operation specifically call upon donors to “highlight the importance of global environmental issues and their links with development objectives by systematically putting these issues on the agenda of their regular dialogues with senior policy-makers from partner countries , in relation to aid programming. “

31. The Principle of **Harmonization** provides a powerful impetus for donors to continue and deepen their efforts towards harmonized approaches. The recently approved DAC Policy Guidance on Strategic Environmental Assessment illustrate the value of joint approaches amongst all donors. *In-country “Sector Working Groups focussing on the environment have also played very valuable role in rallying all donors around a common understanding of key challenges and priorities.*

32. The “**Managing for Development Results**” Principle provides support for efforts to develop indicators to assess the environmental issues linked to development, and mechanisms to monitor the impacts of policies and programmes on a regular basis.

33. The Principle of **Mutual Accountability** requires recognition of global commitments to environmental sustainability from both donors and development partners

5. Key challenges ahead

34. Key future challenges will centre on translating the new opportunities for supporting environmental sustainability (and other cross-cutting issues) brought about by Paris Declaration into action. In addition, the shift towards program-based approaches offers potential especially when accompanied by other development co-operation instruments that build capacities in partner countries. Key themes will need particular focus in this regard include:

35. **Strengthening capacity for cross-sectoral policy integration** . Approaches which build on the developing country partners’ own systems and procedures, make it imperative for the sectoral ministries and agencies to work through normal and national policy formulation and resource allocation mechanisms (e.g national budgets). This includes, in particular, examining environmental expenditures within “Public Expenditure Reviews”. Specific capacity is needed in areas such as environmental economic analysis, to a) better quantify the economic and financial value of *improved natural resource and environmental management*, and the impact on poverty reduction and growth and b) make a ”stronger case” for the environment and natural resource management in negotiations with economics, finance and planning ministries. Capacity for undertaking strategic environmental assessments (SEA) of major policy initiatives such as poverty reduction strategies or sector development plans is also needed.

36. **Strengthening national environmental authorities** so they are able to keep track of environmental assets, their use and associated revenues and rights. They also need support to development national legislation, regulations and standards and to implement these and impose sanctions where necessary. The Paris Declaration also specifically calls donors to support the development of **capacity for enforcement of partners national environmental legislation.**

37. **Strengthening capacity for monitoring progress toward environmental and natural resource management goals**, and targets in line with the shift towards results-based public policy frameworks. This should include locally identified targets and those agreed in multilateral environmental agreements.

38. **Supporting local or national civil society organizations and multi-stakeholder fora** involved in informing and influencing policy debates on development and environment. Strong civil society is the ultimate safeguard in protecting the environmental resources and services of a country.