

# Mainstreaming Environment and Water in Development

LIBRARY IRC  
PO Box 93190, 2509 AD THE HAGUE  
Tel.: +31 70 30 689 80  
Fax: +31 70 35 899 64

BARCODE: 18732

LO:

202.3 06 MA

2023-06MA-18732

Environment and Water Department (DMW)  
Directorate for International Co-operation (DGIS)  
Ministry of Foreign Affairs  
PO Box 20061  
2500 EB Den Haag  
The Netherlands



This Discussion Paper has been prepared by MetaMeta Management ([www.metameta.nl](http://www.metameta.nl)) in cooperation with the Overseas Development Institute ([www.odi.org.uk](http://www.odi.org.uk)) as part of the study on Integrating Environment and Water in Dutch Development Cooperation. It is complemented by a book on Ideas and Experiences in Mainstreaming Environment and Water, which is available on request from the Environment and Water Department of DGIS.

For more information contact:

Environment and Water Department (DMW), ++31 70 3486422  
Rob van den Boom, ++31 70 3486033 ([rj-vanden.boom@minbuza.nl](mailto:rj-vanden.boom@minbuza.nl))  
Bastiaan Engelhard, ++31 70 3484971 ([bastiaan.engelhard@minbuza.nl](mailto:bastiaan.engelhard@minbuza.nl))  
Karin Roelofs, ++31 70 3486070 ([karin.roelofs@minbuza.nl](mailto:karin.roelofs@minbuza.nl))

*The cover picture has been provided by the Great Ethiopian Run (photo credit Jiro Mochizuki). The Great Ethiopian Run ([www.ethiopianrun.org](http://www.ethiopianrun.org)) organises long-distance running events to create awareness and fund-raise for a variety of causes.*

Published by Ministry of Foreign Affairs of the Netherlands / Development Cooperation  
Policy division Environment and Water Department (DMW)  
Directorate for International Co-operation (DGIS)  
Graphic Design MetaMeta Communications  
Printer Grafisch Bedrijf Tuijtel, Hardinxveld-Giessendam

[www.minbuza.nl](http://www.minbuza.nl)  
March 2006

# Table of Contents

<b>Preface</b>	<b>4</b>
<b>List of Abbreviations</b>	<b>6</b>
<b>Executive Summary</b>	<b>8</b>
<b>1. Introduction</b>	<b>12</b>
<b>2. Status of mainstreaming</b>	<b>16</b>
<b>2.1 Mainstreaming environment</b>	<b>17</b>
<b>2.2 Mainstreaming water</b>	<b>20</b>
<b>2.3 Mainstreaming and new aid modalities</b>	<b>22</b>
<b>3. Strategy to support mainstreaming</b>	<b>24</b>
<b>3.1 Partner countries with environment and/or water as priority sector</b>	<b>25</b>
<b>3.2 Strengthen mainstreaming through national organisations</b>	<b>26</b>
<b>3.3 Partner countries without water or environment as a priority sector</b>	<b>28</b>
<b>3.4 Role of the Environment and Water Department</b>	<b>29</b>
<b>4. Benchmarking mainstreaming</b>	<b>32</b>
<b>5. Conclusions</b>	<b>36</b>
<b>Annex 1: Information sources</b>	<b>38</b>
<b>Annex 2: Suggested partner country mainstreaming strategies</b>	<b>42</b>
<b>Annex 3: Benchmarking</b>	<b>50</b>

# Preface

If we are serious about sustainable development, environment and water need to constitute an integral part of national policies and practices. Poverty alleviation cannot be pursued without taking environment and water management into consideration.

The contribution of environment and water - either positive or negative - to quality of life is substantial. Poor livelihoods in particular depend on secure water supplies and sustainable environmental services. Environment and water are not stand-alone issues, but are a major factor in food security, income opportunities, public health, disaster prevention and conflict resolution, among others. Environment and water management, in turn, are heavily influenced by broader development policies, such as infrastructure programmes, energy policies and trade arrangements.

Mainstreaming environment and promoting integrated water resource management are important elements in the Netherlands development cooperation programme. There is much to gain when environment and water are well integrated in national and sectoral policies and specific programmes. There are many opportunities for governments, private sector and civil society to work closely together in this field.

This paper has been prepared in order to clarify what we mean by mainstreaming environment and water, and how this can be implemented in practice. It explains how environment and water can be integrated in the bilateral development assistance programme, especially against a background of changing aid modalities and donor harmonisation. As a discussion paper, it presents specific suggestions and recommendations on how to structure activities: these concern programmes in specific partner countries and the support the Ministry can provide. In addition, the paper looks at benchmarking the mainstreaming of environment and water: this can help measure what we have achieved and make us more accountable to our good intentions. Equally important, benchmarking can contribute to the quality of implementation.

This paper has been prepared on the basis of extensive discussion with staff of the department and many others. It is complemented by a book on Ideas and Experiences in Mainstreaming Environment and Water. I hope these two publications can encourage us to develop further practical approaches on this important theme and make a contribution to the larger agenda of poverty alleviation through sustainable development.



Rob de Vos  
Deputy Director-General  
Directorate-General for International Cooperation (DGIS)

# atio List of abbreviations

BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
CBI	Centre for the Promotion of Import from Developing Countries
DDE	Sustainable Economic Development Department, DGIS
DEK	Department for Effectiveness and Quality, DGIS
DMW	Environment and Water Department, DGIS
DFID	Department for International Development, UK
DGIS	Directorate-General for International Cooperation, the Netherlands
EC	European Commission
EVD	Agency for International Business and Cooperation
EIA	Environmental Impact Assessment
GTZ	Gesellschaft für Technische Zusammenarbeit
IWRM	Integrated Water Resources Management
KfW	Kreditanstalt für Wiederaufbau
MTEF	Medium-Term Expenditure Framework
NGO	Non-Governmental Organisation
NSSD	National Strategies for Sustainable Development
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
PPP	Public Private Partnership
PRSP	Poverty Reduction Strategy Paper
PSOM	Programme for Cooperation with Emerging Markets
RNE	Royal Netherlands Embassy
SEA	Strategic Environmental Assessment
Sida	Swedish International Development Cooperation Agency

# Executive Summary



This discussion paper looks at the integration and mainstreaming of environment and water in national and sector policies and programmes supported by Dutch bilateral development cooperation. The paper is based on interviews with policymakers in partner countries, including staff of DGIS and other donor agencies, visits to Netherlands Embassies, a review of literature and internal documentation, and a workshop with invited professionals from developing countries.

For the purposes of this paper we define mainstreaming environment and water as: *promoting improved environmental and water management in policy formulation and programmes of implementation by public and private sector actors.* This reflects the increasing international consensus that water and environment should be seen as part of a larger picture of sustainable development and poverty reduction and not as discrete sectoral issues.

In principle, new aid modalities offer a good opportunity to achieve such mainstreaming, because they allow for systematic incorporation of the environment and water in national policy and budgeting decisions, including medium-term expenditure frameworks. This macro level of budget and programme support provides possibilities for stronger engagement with planning and finance ministries (can be achieved as well), including discussion on more effective regulation and environmental fiscal reform.

However, these opportunities are not always capitalised on. In a world of 'sector' approaches, such crosscutting themes are often accorded low priority among donors and partner countries; where there is high profile in policy, this is not reflected in actual budget allocations and/or capacity to implement.

Hence, a key issue is the capacity of donor agencies to support mainstreaming and integration. DGIS has the advantage of having decentralised capacity to engage in national policy processes and to detect the most promising opportunities for mainstreaming. Within the Ministry, environment and water are managed from one department; within that department, a special unit has been established to support the embassies in implementing country programmes. To strengthen mainstreaming environment and water, we propose a strategy that consists of a number of relatively modest support mechanisms.

In DGIS country programmes that include environment and water as a sector mainstreaming can take various shapes: it can build on the engagement in policy processes by strengthening mainstreaming through national agencies; by supporting mainstreaming in budgeting and implementation; and by making more systematic use of strategic assessment methodologies and building capacity in applying them.

In DGIS country programmes where environment and water are not priority sectors, approaches should be more modest. Here, mainstreaming can be supported by engagement in general budget support discussions – in coordination with other donors - and by systematically working with other sectors on innovative programmes that have the capacity to be scaled up.

The role of the Environment and Water Department will be strengthened by improved knowledge and content management and by supporting mainstreaming, particularly in non-sector country programmes. There is also scope to achieve more systematic support to mainstreaming in the private sector. This merits a special initiative by the Environment and Water Department and the Sustainable Economic Development Department.

In view of the fact that it is often difficult to describe the effectiveness of mainstreaming, it was decided to define a benchmarking strategy. Benchmarking serves external accountability and internal feedback and can be used to detect opportunities and promote organisational learning. This paper recommends a benchmarking strategy integrated within overall support to mainstreaming environment and water and consisting of best-case benchmarking, the use of opportunity cards and expenditure tracking.





# Introduction

This paper was prepared by MetaMeta Management in cooperation with the Overseas Development Institute (ODI) at the request of the Environment and Water Department (DMW) of the Dutch Ministry of Foreign Affairs, Directorate for International Cooperation (DGIS). The paper discusses the integration of environment and water in national and sector policies and implementation programmes which are supported by Dutch bilateral development cooperation. It has been prepared in light of the new aid modalities, and the increased move towards programme support, sector budget support and general budget support, as exemplified in the Paris Declaration on Aid Effectiveness.

Mainstreaming is current thinking with respect to both environment and water. Mainstreaming environment is reflected in Millennium Development Goal 7; *'integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources'*. This encapsulates current thinking in environmental management, namely that environmental issues are seen as part of a larger picture of sustainable development and poverty reduction rather than as separate development challenges. The preferred approach is to be proactive, i.e. to be involved in policy processes at an early stage in order to exploit opportunities and mitigate risks simultaneously.

The pendant for this in the water sector is **Integrated Water Resource Management (IWRM)**, often defined as *'a process which promotes the coordinated development of water, land and related resources ... to maximise the resultant economic and social welfare ... without compromising the sustainability of vital eco-systems'*. The water sector is centrally positioned to help achieve food security, health benefits, access to education and better safeguarding of environmental resources and should be managed in this light. In IWRM, *'out of the box'* solutions are considered to be located outside the traditional domain of water sector organisations – for example in spatial planning or in national trade policies.

In short, environment and water management are not considered stand-alones, serving their own objectives, but are expected to contribute to a range of broader development objectives. Investing in water and environment is vital for poverty reduction, as poor people in particular depend on the sustainable use of different forms of natural capital. Yet the relationship is mutual: improved water management and improved environmental management depend on better performance in other fields, including in general levels of education and awareness, environmental awareness of business and investment processes and institutions, and effectiveness of governance and economic development processes.

This paper covers two broad themes: mainstreaming in environment and mainstreaming in water. It provides an overview of mainstreaming environment and water within DGIS as well as within the programmes of a number of other bilateral aid organisations. In doing this, it places the DGIS approach within a broader perspective (see Section 2) and makes recommendations on strategies for further supporting the integration and mainstreaming of environment and water within DGIS (Section 3), and for performance benchmarking (Section 4). Where possible, the two broad themes are discussed separately, but in most sections, for practical reasons, discussion on the two is combined.

Most of the material is based on interviews held with policymakers in partner countries, including staff of DGIS The Hague, a number of Netherlands Embassies, staff of DFID, Sida, KfW, GTZ and EC, and on a desk study and a workshop with invited professionals from developing countries (see Annex 1). A feedback group within DGIS provided regular and timely comments. This discussion paper is accompanied by the book 'Ideas and Experiences on Mainstreaming Environment and Water', that gives practical examples of integrating environment and water.



2.

# Status of mainstreaming



For the purposes of this paper, we define mainstreaming environment and water as 'promoting improved environmental and water management in policy formulation and programmes of implementation by public and private sector actors.'

**Mainstreaming takes four different shapes:**

- Mainstreaming in national policy, particular in Poverty Reduction Strategies, and in sector policies;
- Mainstreaming in budgets and programmes of implementation of the partner country;
- Systematic incorporation of environment and water in bilateral aid programmes, especially in other sectors; and
- Mainstreaming in the private sector and civil society.

We present below the experiences of several aid agencies – DGIS, DFID, the European Commission, BMZ and Sida - with respect to mainstreaming environment (Section 2.1) and water (Section 2.2). The opportunities and threats associated with the new aid modalities are discussed in Section 2.3, including the relative position adopted by DGIS.

**2.1 Mainstreaming environment**

Environmental mainstreaming is a policy of several aid agencies. Yet there are important differences between donors with respect to the status of environment (as a sector, a crosscutting theme or both), including the reliance on procedures to integrate environment, roles and responsibilities at central/country level and the support activities.

Table 1 gives a snapshot overview.<sup>1</sup>

**Table 1: Mainstreaming policies of selected aid agencies**

	DGIS	DFID	Sida	EC	BMZ
Environment as a sector	✓	✓	✓	✓	
Environment as a crosscutting theme	✓				✓
EIA compulsory for project appraisal		✓	✓		✓
Environmental assessments in country programming			✓	✓	
National environmental policy developed and supported by central office		✓	✓		
National environmental policy developed and supported by country office	✓				
Specific support activities (training, helpdesk, knowledge management)	✓		✓	✓	✓

<sup>1</sup> Based on interviews with representatives of the different organisations

More so than other aid agencies, DGIS has decentralised its operations to its embassies, who are responsible for identification and supervision of bilateral programmes and negotiation with partner governments. The main policy document for each country is the Multi-Annual Strategic Plan, prepared by the embassies and covering all of its operations. They are commented upon and reviewed by different central departments, including the central Environment and Water Department (DMW). DMW provides backstopping services to the embassies along the overall framework. In addition, staff of DMW manage activities implemented by multilateral and private organisations in environment and water. In 2005 a new Country Policy Support Division was created within DMW, whose task is to support the bilateral environment and water programme.

At present, DGIS does not have a compulsory environmental assessment methodology. Earlier, projects were screened for a number of policy themes (gender, poverty, environment, institutional development) and this included environmental impact assessments (EIAs). This procedure is no longer followed, one reason being that large stand-alone projects have become less common in the bilateral programme: projects now are usually oriented towards policy development and institutional change.

The trend is towards programme-based approaches. Budget support and sector support are gradually being introduced in countries where governance is adequate (good public financial management, no fungibility issues etc.) and where it has added value (as an instrument for donor coordination and public sector capacity building). In some countries, the environment is mainstreamed in general budget support by means of the inclusion of environmental policy actions in the expenditure framework (Senegal, Vietnam) or implementation of a Strategic Environmental Impact Assessment (SEA) on the PRSP (Ghana). Mainstreaming environment in sector budget support – outside of budget support to the environmental sector per se – has not happened. However, crosscutting activities are taking place in a number of bilateral sector programmes (for example environmental curriculum development).

In Sida – as in DGIS - environment is both a sector and a crosscutting theme. 11% of spending is on activities that have environment as a primary objective. In support of environmental mainstreaming, Sida has formulated an Environmental Management System, which lays down compulsory SEAs (for country programmes) and EIAs (for all interventions)<sup>2</sup>. The Action Plan contains 170 action points – with each department within Sida contributing at least one action point. In support of its environmental agenda, Sida publishes newsletters and guidelines for SEAs, EIAs and green procurement, and has established helpdesk functions in these fields. In addition, Sida has initiated a number of special programmes, for example on environmental economics; water and sanitation; and conflict and environment. The staff of the Environment Policy Division participate in discussions on country strategies, sector policies (health, energy, transport), budget support and PRSPs.

In terms of constraints in Sida's environmental policy, there appears to be limited capacity at country level: most embassies do not have staff dedicated to work on environmental issues. Instead, environment is often an additional responsibility added to the role of a programme manager; as a consequence, it can end up integrated into the specific activities of the particular programme manager. Time constraints limit opportunities to mainstream at national policy or implementation level, or to support environmental issues in other sectors.

<sup>2</sup> In Sida, as in DFID, BMZ and the EC, these procedures are concerned with mainstreaming within the bilateral aid programme.

There are parallels between the policies of Sida and the **European Commission**. The EC made mainstreaming of environment a commission-wide policy in the so-called Cardiff Statement issued in 1998.<sup>3</sup> Follow-up on this has been piecemeal, although the Commission issued a policy document on integrating environment in its aid programme in 2001.

*The orientation of the EC's mainstreaming policy is internal, with a primary focus on integration of environment in the Commission's own programme. At a country programme's design stage, environmental profiles are prepared, which describe environmental risks and opportunities. These profiles serve as resource documents in the drafting of the country plan, and a summary of them is included in an annex. A central helpdesk is in place to assist and guidelines are being prepared. The EC is also directing an increasing proportion of its aid through budget support. In spite of its mainstreaming policy, environmental criteria and policy actions are generally not incorporated in the accompanying Medium-Term Expenditure Frameworks (MTEFs). As in the case of Sida, capacity on environmental issues in the delegations is often relatively low, leaving no one in particular to champion environment in budget support discussions.*

**DFID** has traditionally accorded high priority to environmental issues; between 1997 and 2001, a number of policy documents and an Environment Guide were produced. The last major document – the 2001 Environment Target Strategy Paper – mapped out DFID's approach in assisting the development of national strategies for sustainable development (NSSDs). (The process of NSSDs preparation was agreed upon at the Rio Summit however, in most countries it did not come into effect.) At the same, the Environment Guide was updated, detailing compulsory environmental screening procedures.

An internal review of the integration of environmental issues emphasises a broader focus on PRSPs and budget support. The Budget Support Policy Paper (2004) identifies the scope for promoting systemic change, as budget support entails engagement with the entire public sector. A major bottleneck to mainstreaming within DFID is, again, capacity. For example, in terms of meaningful engagement in mainstreaming environment in PRSPs, the number of environmental advisors working from London is limited, and there is little environmental capacity in country offices. There have been incidental successes, such as the 'greening' of the second PRSP in Tanzania, which was supported by technical assistance to the Ministry of Planning. An earlier evaluation of DFID's environmental programme suggested a number of actions to increase capacity and to integrate environment fully within bilateral country strategies. Actual approach and support for mainstreaming environment are currently being reformulated as part of the development of an overall new DFID strategy.

Finally, **BMZ** has also earmarked environment as a crosscutting theme, although it has not formulated a mainstreaming strategy. The most common modality in the implementing agencies of BMZ – KfW and GTZ – are separate environmental programmes in the different countries, in most cases implemented in project modes and special environmental loans. KfW and GTZ so far have relatively limited experience in budget support and sector support; project aid continues to be the most common modality. EIAs are usually part of the preparation process. There is less experience in applying SEAs, although GTZ has experimented with these and used them as part of the formulation of new programmes in Peru and in the Aceh rehabilitation programme.

<sup>3</sup> The Cardiff Statement was announced in 1998 by the Heads of State. It calls upon the different Council formations to develop strategies on environmental mainstreaming in line with Article 6 of the EC Treaty. This article mentions that 'environmental protection requirements must be integrated into the definition and implementation of Community policies ... in particular with a view to promoting sustainable development.'

## 2.2 Mainstreaming water

As with environment, the different aid agencies give high priority to water, in particular the achievement of the Millennium Development Goals on water supply and sanitation and the promotion of Integrated Water Resources Management. Although IWRM advocates coordinated development and the mainstreaming of water in national policies (see Section 1), no donor has yet earmarked water as an official crosscutting issue. DGIS represents a partial exception: the Explanatory Notes to the Dutch Development Budget state that support is to be given to eight partner countries in integrating water in national policy documents, such as PRSPs. In most cases, however, the concept of IWRM is supported through separate activities, not through policy mainstreaming.

Water supply and sanitation is supported mainly under specific sector programmes, because in most countries water supply and sanitation functions as a sector. This support may be routed through stand-alone projects and basket funding, and in recent years, it has also been provided through sector budget support or special allocations in general budget support. In fact, there is something of a dichotomy in the water theme: on the one hand is the water supply and sanitation sector operated -for all practical purposes- as a sector; on the other hand, is the support to IWRM, which primarily requires policy coordination and integration.

**DGIS** coordinates its water activities from a single department – the Environment and Water Department, which included a special Water Unit until 2004. In seven out of the 36 partner countries, water is marked as a priority sector. This means that, in most cases, a water specialist is posted at the embassy concerned. In several of these countries, the RNE also leads the donor coordination group on water.

In **Sida** water activities are more scattered. A water policy document has been prepared but differs from Sida's Environmental Management Plan in that it is more of a general framework than an action plan. Several departments have activities in the water sector, including the Nature Department and the Infrastructure and Economic Cooperation Department. At country level, some programmes have considerable water supply and sanitation activities, but there are no 'water sectors' as such. The implementation of water programmes is supervised and supported by departments in Stockholm.

**DFID's** engagement in the water sector has ranged from water supply and sanitation to IWRM. In recent years, water has moved up and down and up again on the agenda. At present, it is high priority. A dedicated Action Plan was issued in 2004, and a doubling of financial commitments to water supply and sanitation in Africa has been pledged. In the central office, there is a special but modestly positioned Water, Energy and Minerals Team – part of the larger Sustainable Development Policy Group, which itself is part of the Policy Division. In a few country offices and regional divisions, there are infrastructure advisors whose portfolios include water. Increasingly, assistance for water supply and sanitation is being provided through sector support, and a great deal of importance is being attached to donor coordination. In addition, in several countries DFID implements part of its water programme through WaterAid, an international NGO.

The situation in the **EC** resembles that of DFID. Water is given high priority. It is coordinated not from a single centre but in the shape of a broad Water Initiative. Many modalities are used – from project to budget support.

In the implementing agencies of **BMZ** (KfW and GTZ), project aid is the most common modality regarding water, as with environment. Some project activities aim to promote IWRM or give policy support to mainstreaming water into national programmes.

In most cases, then, water is managed as a sector, although within the aid agencies several departments may be involved. In addition to specific water sector programmes, several donors have incorporated policy actions on water into programme-based approaches. Some examples:

- The general budget support provided by the EC to Morocco and by USAID to Egypt, incorporated policy actions in water sector reform.
- Budget support to the provincial government of Balochistan (Pakistan) by the Asian Development Bank was tied to environmental fiscal reform – in particular changes in public subsidies to groundwater pumping.
- In Indonesia, a special Water Sector Structural Adjustment Loan was based on compliance with a water reform agenda.

In several PRSPs (Malawi, Uganda, Zambia and Sierra Leone), water and sanitation are mentioned as explicit priorities. However, a study by ODI (2004) established that in some PRSPs (e.g. Malawi) high priority in the document was not translated into matching budget allocations, whereas in others (e.g. Uganda) it was and it was matched with performance criteria. Similarly, experiences on policy actions and conditionalities have been mixed. Sometimes these have been limited to 'formal' announcements or have been 'watered down'. The lesson learned appears to be that several of these changes require additional support mechanisms in order to become effective.

#### Pakistan: the challenge of implementing policy action

Balochistan Province is being faced with declining groundwater levels. Under the Resource Management Programme of the Asian Development Bank, the provincial government is reducing subsidies to groundwater pumping. This is a challenge for the provincial government to manage the new policy and regulate pumping.

A comparison of mainstreaming water and mainstreaming environment underlines several points:

- Although the concept of IWRM is generally endorsed and although there are many powerful crossover activities (for example in health and sanitation), mainstreaming water as a donor strategy is not common;
- Nevertheless, there are several examples of water-related benchmarks being incorporated in MTEFs, in general related to the overall priority attached to the water sector;
- In most countries, water supply and sanitation is a strong sector in itself, but one which still benefits from integration with other sectors, such as health (importance of sanitation) or education (hygiene promotion).

### 2.3 Mainstreaming and new aid modalities

The above quick tour of donor agencies suggests that, for most, strategies for mainstreaming environment are in a state of transition whereas water is not singled out as a crosscutting theme. The new aid modalities, such as programme support, sector support and budget support, have in most cases been introduced in the past five years, if not more recently. Aid agencies' environmental mainstreaming strategies were traditionally aimed at their own project-based programmes; with the new aid modalities, there has been an increased focus on mainstreaming environment in national policies, budget and programmes.

The broader objective of the new modalities is to build capacity within the mandated organisations and avoid parallel, temporary structures. These include: programme support (earmarked for special activities but managed by a sector ministry); sector budget support (financial support for a ministry combined with pre-agreed performance criteria); and general budget support (general financial support to central government or decentralised government with pre-agreed performance criteria). In some countries, budget support is given to local authorities.

*These changing aid modalities offer great opportunities for mainstreaming environment and water. In particular:*

- New aid modalities make it possible to systematically incorporate environment and water into national policy and budget decisions and to trigger systemic change.
- The policy and budget processes in some countries are extraordinary transparent, with agreed policy actions and performance benchmarks included in MTEFs.
- Budget support and programme support can be used to address weaknesses in regulatory functions in the public sector.
- Under the new aid modalities, there is engagement with planning and finance ministries, which offers an opportunity to discuss environmental fiscal reform.

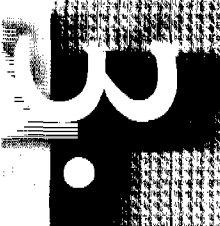
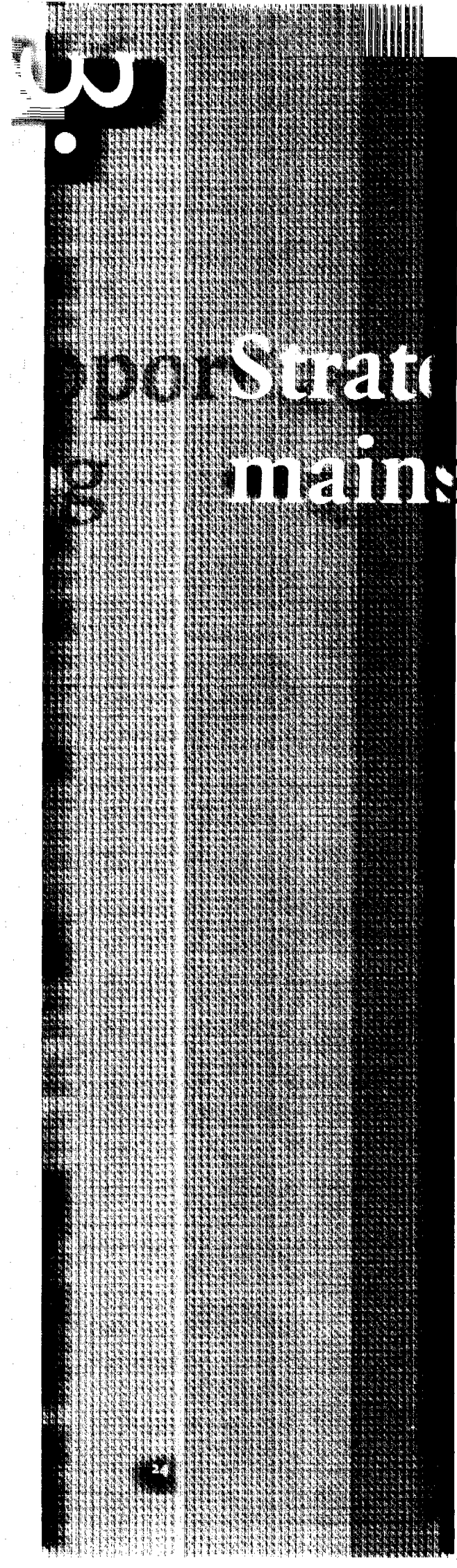
Interviews undertaken for this paper, however, show that opportunities are not always capitalised on. Against the opportunities there are a number of threats:

- The importance of environment is not always acknowledged by recipient countries. As a result entry points for environmental mainstreaming may be limited. In particular, environment was not prominent in the first round of PRSPs.
- Even when environment and/or water are mentioned in planning documents, it does not necessarily mean that they are reflected in budgets. Ideally, environment and water should be reflected in performance criteria agreed in MTEFs. The total number of performance criteria in such MTEFs usually has an upper ceiling and in most cases, environmental criteria are not included.
- When environment/water criteria are part of MTEFs, budget support releases will be related to the achievement of such criteria. This may have an unwelcome side effect. Because of the link to budget releases, criteria have to be fairly unambiguous and easy to monitor. As a result, there is a tendency to create criteria that concern the announcement of policy or legislative initiatives, as these can be easily measured. However, these are not necessarily the same as effective enforcement: the latter may be harder to measure.
- There is also a risk that a strong focus on policy processes bottlenecks in implementation will be ignored. In some countries, there is a lack of basic capacity; this may not be given adequate attention in the planning process.

- In addition, budget support for government operations means that options in mainstreaming environment are narrowed. For example, in the health sector there could be win-win situations in mainstreaming environment and water, such as in preventing water-borne vector diseases. In reality, however, the health sector in most countries has a strong curative – rather than preventive - orientation. Budget sector support to this sector tends to reinforce the existing structure of healthcare providers but leaves only limited room for environmental sanitation.

These points lead to the conclusion that mainstreaming environment and water requires a strong focus on budgeting and implementation. Utilising opportunities in mainstreaming in programme-based approaches demands not only internal advocacy but also effective support mechanisms. One requirement appears to be for a strong presence and network in the country. Several agencies, despite having policies for mainstreaming environment, have inadequate capacity in country offices. This limits the possibilities of mainstreaming environment in national policy or implementation programmes.

In this respect, DGIS is relatively better positioned, as it has an environmental sector in 12 countries and a water sector in seven. Furthermore, when supporting mainstreaming environment and water in other countries, it has the advantage that these themes are handled from a single department. This has produced some useful - though still limited, often innovative - hands-on experiences in mainstreaming environment and water in budget support (Vietnam, Senegal, Cape Verde). However, experiences are limited on mainstreaming environment and IWRM within other sectors in the bilateral programme. This is largely because the other earmarked sectors in the Dutch bilateral programme are health and education, where the scope for crossovers is modest. In programmes with the private sector, on the other hand, there are several examples of mainstreaming, indicating that there is ample scope for mainstreaming in the productive sectors. These examples appear to have come almost about by chance in the various private sector programmes, in the absence of an explicit policy or support mechanism in this respect. Several of these mainstreaming examples are described in the accompanying *Ideas and Experiences* book.



# Strategy to support mainstreaming



This section recommends a strategy within DGIS to support the mainstreaming of environment and water. The general point of departure is that a mechanical, target-driven approach towards mainstreaming is unlikely to work. Instead, the general strategy should be 'utilising opportunities'. To be able to do so, a stable country presence and flexibility is desirable.<sup>4</sup> As previously mentioned, opportunities for mainstreaming occur mainly at national level. In this respect DGIS is well equipped, as its operations are to a large extent decentralised.

There is a difference, however, between the partner countries. Where environment and/or water have been selected as sectors, there is dedicated capacity within embassies to support mainstreaming. This is different for partner countries where environment and water have not been selected as priority sectors. Therefore, there should be a difference of approach for countries with and without an environmental/water sector.

This section discusses support to mainstreaming in countries with (3.1) and without (3.3) environment and water as a priority sector. The general thrust of the recommendations is the need to make more systematic use of approaches that have worked well in some country programmes, but are not applied in other countries. At the same time, entry points are to be used, the most important of which include: presence of dedicated capacity at embassies; engagement in new aid modalities; and involvement in private sector programmes. Section 3.4 discusses the role of DMW in supporting these processes.

On the basis of these entry points, a coarse mainstreaming strategy can be formulated for each partner country. A first attempt, for further discussion, is the list in Annex 2.

### **3.1 Partner countries with environment and/or water as a priority sector**

In partner countries with environment and water as a priority sector there is a strong base to mainstream environment and water in national policies, budgets and implementation programmes, as well as in the activities of other sectors. In almost all these country programmes, policy processes are already supported. A stronger focus on mainstreaming can build on this policy engagement.

In systematically addressing mainstreaming opportunities in countries with environment and/or water as priority sectors, the proposed strategy is to:

- Strengthen mainstreaming through national organisations;
- Focus on budgeting and implementation;
- Promote the use of systematic assessments and reviews combined with capacity building; and
- Increase the efforts in mainstreaming in private sector support programmes.

The engagement of RNE staff (international and national) in general policy and budget processes would increase, in addition to their roles in managing environmental and water programmes and coordinating within the sectors. These are discussed below.

<sup>4</sup> Flexibility can be achieved through relatively quick approval procedures, access to strategic funds, for example small project funds, and the ability to use a mix of aid modalities, in line with country requirements.

### 3.2 Strengthen mainstreaming through national organisations

Although donor representatives often play an important strategic role, mainstreaming is most effective if anchored in mandated national or local organisations. There are a number of ways to support this, which can be utilised where opportunities occur:

- Give dedicated 'mainstreaming' technical assistance to ministries of finance and planning, which are generally not exposed to environment and water policy. The need for capacity building and policy development is usually great and may extend to crosscutting fields such as environmental fiscal reform. In particular, where budget support is being discussed, there may be entry points to provide such support. Technical assistance could be in the shape of special units available to these departments, with access to research, training and policy development funds. A successful example in this regard is the 'greening' of the second PRSP in Tanzania (also discussed in Section 2.2 of the Ideas and Experiences book).
- Support the integration of environment through special units in line ministries or local authorities. Such units may be 'implants' of the Environmental Protection Authorities (as in the Ministry of Investment in Yemen). In other cases, they are self-standing with no link to the Environmental Authority (as in the Ethiopian Transport Authority). Units will give a constant presence and help develop country and topic-specific environmental practices. The same strategy can be used to promote IWRM and mainstream watermanagement.
- Strengthen the role of civil society in mainstreaming, especially around the new aid modalities. This could concern developing skills in knowledge-based advocacy, budget review, programme monitoring, capacity building and scaling-up of experimental approaches. Where direct inroads into the public sector are limited, civil society can become an important partner.

#### *Concentrate on budget and implementation processes*

A second part of the strategy is to concentrate on budget processes rather than planning and policy processes or, in other words to 'follow the money'.

Much of the discussion on mainstreaming has concentrated on the link between poverty reduction and environment, making the case for environmental mainstreaming in PRSPs for example. This 'greening' of PRSPs has been useful, but there is always the danger that policies are not implemented. The budget process and the implementation process are equally, if not more, important in mainstreaming environment and water.

#### **Vietnam: concentrate on budget processes**

The proposed strategy is to focus on budget discussions and implementation processes at national and local level. Activities to undertake are:

- Provide support (by sharing experiences, agenda setting and capacity building and support in monitoring) to the inclusion of criteria and benchmarks on environment and water in the MTEFs or the PRS Credits, as was achieved in Senegal and Vietnam. In the case of other planning and budgeting processes, support should be provided to budget

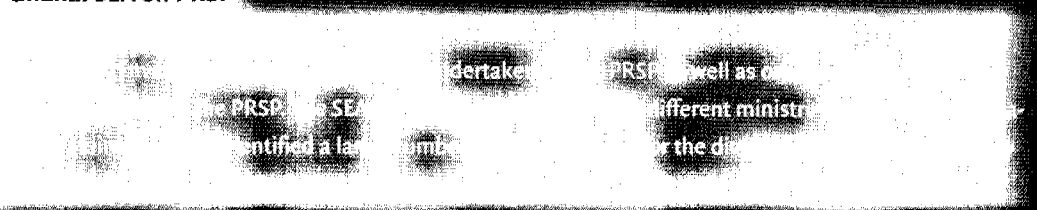
earmarking for environment and water.

- Provide support to the inclusion of criteria and benchmarks on environment and water in sector budget support programmes. Examples of these in health, education and other sectors that incorporate performance criteria or policy actions related to environment and water are still few; more needs to be done.
- Undertake institutional and regulatory capacity assessments, to see whether agreed policy and legislation is matched with implementation and enforcement capacity. If necessary, programme support can be considered in a move to improve this capacity. An example is the support to the National Water Resource Authority in Yemen. This organisation was for many years mainly involved in studies and capacity building measures, but was not able to implement the provisions of the Water Law for which it was established. Under a newly designed programme support package, bottlenecks in field enforcement – for example, arrangements to have a field presence and engagement of police to check implementation of the Water Law - are addressed in discussions between RNE and Yemeni parties, including the Ministry of Finance.
- Engage in environment fiscal reform discussions, particularly in relation to work on Public Expenditure Reviews. This can be supported by documentation and studies on the costs and savings to the exchequer of policy changes in water management and environmental management.
- Stimulate wider engagement in budget reviews – from NGOs but also from environment and water specialists.

#### Systematic reviews and assessments combined with capacity building

There are several systematic assessments that can support the integration of environment and water in planning (Strategic Environmental Assessments, Sustainability Impact Assessments), in budgeting (Expenditure Tracking, Green Budget Reviews) and implementation (Regulatory Impact Assessments, Institutional and Organisational Capacity Assessments). So far, these methods have been applied with good results. However, they are neither consolidated nor part of the standard process in preparing budget support or sector support. In countries with environment and water as priority sectors, a more widespread use of these instruments should be promoted. This would benefit actual mainstreaming and capacity building of national organisations.

#### Ghana: SEA on PRSP



#### Increase efforts in mainstreaming in private sector programmes

There are several examples of mainstreaming environment and water in private sector programmes, many of them with a relatively large outreach. However, the examples are uneven. In some country programmes, there is a strong orientation on private sector development with or without a green or blue agenda; in other countries, there is no familiarity with these issues at all. Examples of mainstreaming in private sector are green and blue public private partnerships (PPPs); introducing clean technology through business associations; 'greening' the commodity chain; and improving environmental governance of private sector operations. These are often promising development models with a potentially high impact, and they can be applied more widely. It is recommended that the Environment and Water Department (DMW) and the

Sustainable Economic Development Department (DDE) explore these opportunities systematically (see also 3.3).

### **3.3 Partner countries without environment or water as a priority sector**

In countries without water or environment as a priority sector, the strategy needs to be different. Opportunities are fewer and ambitions should be more modest. For example, it will be more difficult to support national organisations in mainstreaming or assist in the development of policy and budget processes. Even so, several entry points remain. The strategy should include:

- Strengthen mainstreaming through general budget support processes;
- Develop crosscutting programmes with other sectors and themes; and
- Strengthen the role of civil society in mainstreaming.

#### *Strengthen mainstreaming through general budget support processes*

In partner countries where environment and water is not a priority sector there may still be opportunities to mainstream through general budget support processes. In budget support discussions, different donors assume responsibility for different themes and sectors. Environment does not figure at all in some cases and, as a result, is not reflected in MTEFs and related documents.

To strengthen mainstreaming environment and water DMW could coordinate with Royal Netherlands Embassies (RNEs) and the Department for Effectiveness and Quality (DEK) and map the policy process. This would help identify opportunities for mainstreaming environment in general budget support processes. This could be through:

- Taking part in budget discussions and encouraging the championing of environment and water and a focus on related benchmarks and policy actions.
- Agreeing with other donors on a support strategy, so that someone takes the lead for the theme on this side.
- Identifying opportunities for strategic assistance at national level, for example to ministries of planning and finance in greening PRSPs; green/blue budget reviews; or capacity building in SEAs and other strategic assessment methodologies. This can build on engagement with these ministries as part of the budget discussion.

#### *Work with other sectors and themes*

Another entry point is to work with other sectors and themes. In Dutch bilateral country programmes, these 'other sectors' are primarily health and education. Expectations with respect to the mainstreaming of environment and water here should be realistic. First, sector-related priorities prevail in these programmes. Moreover, apart from environment, other themes (gender, governance) are being mainstreamed. The bottleneck is often represented by time available for the RNE staff managing the sector programmes. Second, opportunities for mainstreaming environment and water in social sector programmes are useful but they are at the same time not abundant or high impact. Further, under sector budget support opportunities for mainstreaming are relatively limited, because of the orientation of health and education ministries (see also 2.3). In some countries, opportunities in this area exist primarily in working with civil society or the private sector (for example in alternative basic education or preventive healthcare).

The strategy should include taking a modest stance and jointly identifying easy opportunities (RNE and DMW), at policy level where possible, but otherwise in innovative programmes in curriculum development or in preventive healthcare through better sanitation and environmental

management. In several countries, this has begun – especially in environmental curriculum development in Albania, Mozambique and Zambia. To develop such programmes further it is recommended to:

- Ensure that scaling-up is part of the crosscutting programme, so that widespread use is achieved;
- Make mainstreaming easy and attractive. Support RNE sector staff through knowledge sharing between countries – by linking both RNEs and partner organisations working on these relatively innovative fields – and by suggesting project formats (see also 3.4).

The same argument applies to working with the private sector. Where there are entry points, for example under programmes in the Sustainable Economic Development Department, the scope for mainstreaming environment should be explored. Again, the strategy should be to make mainstreaming easy, by helping with formats and examples.

#### *Work more intensely with civil society*

In Section 3.1 a number of ideas were detailed in terms of strengthening the role of civil society in mainstreaming environment and water: knowledge-based advocacy; budget review; programme monitoring; capacity building; and scaling-up of experimental approaches. The capacity of civil society varies but in many countries the role – particularly of national organisations – is relatively weak and not oriented towards a role in programme-based approaches. The same recommendation as in 3.1 applies – of building a stronger role for civil society around the new aid modalities through capacity building and information sharing.

### **3.4 Role of the Environment and Water Department**

The Environment and Water Department promotes mainstreaming by supporting embassies to implement programmes which help towards improved environmental and water management in national policies and programmes through contributing to country multi-annual strategic plans and building linkages and networks. Mainstreaming will be further developed by:

- Improving knowledge management by developing and communicating good examples and experiences on important crosscutting themes;
- Special support to country programmes without water or environment as a priority sector;
- Working together with the Sustainable Economic Development Department in private sector development programmes

#### *Improving knowledge management*

The Environment and Water Department will select a number of crosscutting topics and develop and disseminate knowledge on these in cooperation with other concerned departments within DGIS. Improved content management will consist of:

- Retrieving and exchanging good examples from and between country programmes;
- Dissemination through intranet and meetings;
- Linking partners in government and other organisations working on certain themes in different partner countries;
- Small publications and newsletters;
- Reduce workload by developing standard terms of references and proposals and by helping RNEs and their partners in linking to service providers.

By developing such themes in cooperation with other departments within DGIS, integration with these other sectors becomes more visible and attractive. Possible themes are: environmental education; promoting environmental sanitation; water and trade policies; environmental fiscal reform; and effective environmental governance. An example would be to develop the theme of promoting sanitation in the light of the Millennium Development Goals as a joint effort between the Environment and Water Department and the Social and Institutional Development Department.

It is proposed that this is not done solely in-house; on some themes, outside institutes should be engaged. The model to look at in this respect is the support given by the National Environmental Impact Assessment Commission (the 'Commissie MER') to the Environment and Water Department in the field of SEAs and environmental capacity building. Engaging an external group can promote a wider inflow and dissemination of ideas and experiences. It can also create opportunities for training in the various, usually new, crosscutting fields, particularly for staff in the partner countries, and generally raise the profile of the topics and the parties involved.

*Special engagement in budget support mainstreaming in country programmes without environment or water as priority sector*

In addition to improved knowledge management, the Environment and Water Department would actively support mainstreaming environment and water in budget support in those countries where there is no dedicated capacity at the embassies. Embassies which do have expertise in environment and/or water take up the mainstreaming agenda. In countries without this dedicated capacity, the Environment and Water Department will play a proactive role, in coordination with the Department for Effectiveness and Quality.

With reference to Section 3.2, it is proposed that the Environment and Water Department:

- Gives special support to the teams negotiating budget support;
- Harmonise activities with other aid agencies, in particular developing relations with other donors in championing environment and water in the partner countries. This may start with mapping the different actors in the water and environment sector.
- Make staff available to operate as environmental advisors and, in this capacity, to contribute to national policy discussions.
- Work with other sectors in developing joint programmes, supported by knowledge management (see above).

*Work together with the Sustainable Economic Development Department in private sector and business climate development programmes*

As previously mentioned, there are many examples of mainstreaming water and environment in private sector programmes (see also 3.2). These activities have come about so far without clear support policy. They also have a variety of origins: the PPP programme; Environment and Water Department engagement in trade and environment, environmental programmes initiated by RNE; private sector support programme initiated by RNE or PSOM etc. This pallet of options suggests that many more opportunities could be triggered for mainstreaming of environment and water in private sector support programmes.

## Mainstreaming in private sector development

the EWC many examples

for initiative

for:

Addressing environmental issues by floriculture

Clean technology in tanneries in Pakistan (RNE Islamabad)

Recycling plant in Romania (P)

Improving cacao production and trade in Ghana

It is proposed that the Environment and Water Department and the Sustainable Economic Development Department join hands in developing a support mechanism for mainstreaming in private sector development. This should also involve the CBI and the PSOM programmes.

Support could involve:

- Systematically documenting examples and disseminating these through the various programmes (see knowledge management);
- Systematically identifying opportunities for improving environmental governance and business climate development – especially in countries where water and environment are present as a sector; and
- Identifying special initiatives to promote and highlight the themes – from special awards (the ‘best green PPP’ for example) to adjusting programme criteria (extra support to develop environment and water-related business).

# Benchmarking mainstreaming



The general trend is towards greater accountability on results and the achievement of policy intentions. Within the Environment and Water Department there is the desire to benchmark mainstreaming and be able to tell whether mainstreaming is on track in a certain partner country programme or not.

This section recommends a number of ways to benchmark mainstreaming. In the course of the study, we came across no aid agencies that had benchmarked their efforts to mainstream environment – or, for that matter, most other crosscutting themes.<sup>5</sup> Literature provides useful lists of possible environmental indicators, but these are meant to measure overall environmental performance, not to assess whether mainstreaming is in effect. The one exception in benchmarking mainstreaming was gender expenditure tracking, which assessed on the basis of OECD statistics how much of development spending by different donors was gender-mainstreamed.

A precise description of the effectiveness of a broad policy such as mainstreaming is very difficult. Nevertheless, benchmarking can serve several objectives:

- Public accountability of the donor organisation (to its political and public reference group), by demonstrating policy compliance and ideally an indication impact;
- Feedback, by tracking whether and where policy implementation is progressing;
- A tool in process management, by integrating benchmarking in program design and helping to spot opportunities; and
- Promotion of organisational learning, by sharing good experiences.

Ideally, all these objectives would be covered. Benchmarking should also be administratively light and integrated with general support in mainstreaming. This will assist benchmarking being part of normal work processes and avoid it being perceived as an unnecessary and irrelevant burden.

A combination of three types of benchmarking is proposed in order to assess whether mainstreaming of environment and water is on track: 'best case' benchmarking; opportunity cards; and donor budget review. These are discussed briefly below, and more extensively in Annex 3. A combination is proposed rather than a single instrument in order to address the different objectives of benchmarking (see Table 2).

**'Best case' benchmarking**, i.e. having each embassy describe the best (one, two or three) cases of mainstreaming in its country programme. A presentation of best cases can show whether success has been achieved or not. Documentation of highlights can assist the dissemination of experiences between country programmes.

To define 'success' precisely is not easy, but it can be made plausible. A successful case would be:

- Policy actions and performance indicators on environment; water is included in MTEFs of general budget or sector budget support – with indicators on implementation and impact given more importance.
- Capacity building programmes that demonstrate engagement of a substantial amount of those working on mainstreaming (say 3-5%).<sup>6</sup>
- Programmes with the private sector that demonstrate impacts on a substantial part (say 3-5% of all companies) of the private sector and/or address significant issues in the area of environment and water.

<sup>5</sup> Some aid agencies, however, have incorporated 'environment' into their procedures (through environment screening or environmental profiles) and thereafter consider environment to be – at least procedurally – mainstreamed.

<sup>6</sup> This figure corresponds with the first group of early adaptors in innovation curves; after this group, new ways of working introduce themselves through peer-to-peer learning.

- Pilots or programmes of an advocacy nature with the public sector, private sector or civil society, combined with a quantified estimate of the potential to upscale.
- Innovative cross-sectoral activities, where the incorporation of water and environment helps achieve larger impact in the programs of other sectors.

The idea is not to rank country programmes (as there are many factors that determine whether things will take place) but to be able to say whether in a country programme there is at least one convincing example of mainstreaming.

**Opportunity card**, i.e. to identify the most relevant opportunities for mainstreaming environment and water in the different sectors and themes. This should be done in discussion between the RNE and the Environment and Water Department, on the basis of a list of possible mainstreaming opportunities (see also Annex 3) within the framework of the multi-year strategic plans. This opportunity card will help 'spot' possible activities, although these become relevant and feasible only within the context of the country. The opportunity card then makes a comparison of actual opportunities and activities in the country programme.

Mainstreaming is achieved when there is a balance between mainstreaming opportunities and activities. Assessing this balance would need to be done with a broad brush – but it will be possible to state whether in a given country programme a significant proportion of opportunities are capitalised upon or very few.

**Expenditure tracking** or budget review is linked to the use of environmental/water criteria in the different aid modalities. For each aid component within the country programme, a quick assessment is made as to whether environment and water are 'managed' within the particular programme. 'Managed' means the use of environmental/water criteria in budget support and the use of EIAs/ SEAs and environmental management plans in projects and programme support (see Annex 3). Programmes with specific environment and water objectives are added to the 'mainstreamed' category. Total expenditure in the mainstreamed components is then added up and compared with overall expenditure in the country programme. Again, the broad brush argument applies here. The budget review would allow an understanding of where substantial mainstreaming occurs and where relatively little is happening.

**Table 2: Objectives served by different types of benchmarking proposed**

Outcomes should be...	Accountability	Internal feedback	Process management	Organisation-learning/inspiration
Outcomes	✓			✓
Operational		✓	✓	
Expenditure	✓	✓	✓	

It is strongly suggested that opportunity cards are used systematically in all partner countries, in order to identify opportunities within the larger framework of the Multi-Annual Strategy Plans. The tentative strategies as described in annex 2 can be used as guidance. The use of opportunity cards would be the main instrument for dialogue between the embassies and the Environment and Water Department. The opportunity cards would make a distinction between partner countries possible, i.e. those where the bilateral programme addresses many of the opportunities and those where it addresses only few. Subsequently, it will be possible see what proportion of the selected opportunities in the end are effectively utilised and implemented.

It also suggested that embassies themselves in addition use 'best case' benchmarking or expenditure tracking, depending on the nature of the country programme. Where most financial assistance is in the shape of program, sector or general budget support, expenditure tracking is recommended, also to give visibility to the resources, committed under these modalities. In countries, where project and program modalities dominate, 'best case' benchmarking will help exchange specific experiences and contribute to organisational learning within the partner country and within the bilateral programme as a whole.

As mentioned the use of all these benchmarking instruments is not to rank country programmes on an ordinal scale, but to identify where much progress is made and where it lags behind. In assessing whether mainstreaming is on track, different norms will need to be used for countries with and without environment/water as priority sector. The gender expenditure tracking referred that overall 60 percent of ODA expenditure was gender-mainstreamed. This is a useful yardstick. One could be content if 70% of the programme expenditure in a country with environment and/or water as priority sector has a positive bearing in these fields. In countries without this prioritisation a target of 30% may for instance considered satisfactory. In terms of organisation of the benchmarking process, best case benchmarking, budget review and an overview of opportunities identified and effectively utilised would be incorporated in the annual fiches of the different embassies in the 36 partner countries. The Environment and Water Department should bundle these results periodically, place them on internet and intranet, and/or summarise them in its newsletter. This would make the Environment and Water Department role in knowledge management explicit.

# Conclusions

In principle, several developments can strongly support mainstreaming environment and water – the broadening of aid packages with budget support and sector support; the change in thinking on environment (more proactive and less single sector) and Integrated Water Resources Management; and the importance attached to water supply and sanitation and environmental management within the MDGs.

Policy statements exist in support of these processes and there has been a drive to have the results measured. There are practical innovations in some areas, such as better structured policy processes and donor coordination (where this did not exist before), combining policy formulation with budgeting and monitoring of performance criteria (which is not even common in some of the aid-giving countries themselves); powerful support activities in mainstreaming environment and water; and blue/green PPPs. Sometimes, these activities do not appear in reporting systems within DGIS. This study reveals the impression that in several country programmes there is 'more than meets the eye' and that useful examples of mainstreaming environment and water go unrecorded.

There are also risks: the sometimes lower priority attached to crosscutting themes in a world of 'sector' approaches; the limited capacity to introduce new concepts and the high transaction costs; the risk of benchmarking being seen as a burden rather than an asset. The impression from this study is that in some countries there is considerable activity in mainstreaming; in other countries there is far less.

To consolidate mainstreaming environment and water and avoid losing it among other priorities, a number of relatively modest support mechanisms and benchmarking activities are required.

In country programmes that include environment and water as a sector, mainstreaming can build on engagement in policy processes: by strengthening mainstreaming through national agencies; by supporting mainstreaming in budgeting and implementation; and by making more systematic use of strategic assessment methodologies, and building capacity in applying them.

In country programmes without environment or water as priority sectors, aims should be more modest. Mainstreaming can be supported through engagement in general budget support discussions and working systematically with other sectors on innovative programmes that have the capacity to be scaled up.

The Environment and Water Department is to focus on improved knowledge management and supporting mainstreaming, particularly in the non-sector country programmes. There is also much scope to mainstream systematically in the private sector and business climate in general. This merits a special initiative by the Environment and Water Department and the Sustainable Economic Development Department.

The paper also recommends a benchmarking strategy – consisting of best case benchmarking, opportunity cards and expenditure tracking, which is as far as possible integrated with activities in support of mainstreaming environment and water.

# **Annex I:**

# **Source Information sources**

This paper was prepared by MetaMeta Management and the Water Policy Group of the Overseas Development Institute, with the inclusion of: Frank van Steenberg, Alan Nicol, George de Gooijer, Tanja Kuchenmuller and Pieter Otten. Text editing was done by Roo Griffiths and Mridula Veturi. Lay-out was prepared by Johan Meerkerk of Nymphaea Support. Information sources used were as follows:

### **Interviews:**

Durk Adema (Environment and Water Department, DGIS The Hague), Matthias Adler (KfW, country manager Senegal, Guinea, Sierra Leone), Mohamed Aideroos Al-Sakaff, (Senior Programme Officer Health, RNE Sana'a), Aklog Laike (Embassy of Sweden, Addis Ababa), Hans Akerboom (RNE, Addis Ababa), Mohamed Saleh Al-Aroosi (Senior Programme Officer Water, RNE Sana'a), Tomas Andersson (Environmental Policy Unit, Sida), Salem Baquhaizel (DG Monitoring and Assessment, Environmental Protection Authority, Yemen), Salem Bashuba (Chairman, National Water Resources Authority, Yemen), Faisal A.N. Bin Ali Gaber (Deputy Chairman in Charge, Environmental Protection Authority, Yemen), Rob van den Boom (Environment and Water Department, DGIS The Hague), Maarten Brouwer (Effectiveness and Quality Department, DGIS The Hague), Peter Christmann (BMZ Division Environment, Resource Protection and Forestry), Ernst Collenberg (KfW Division Sub-Saharan Africa), Rachel O'Connor (DFID Environmental Advisor), Stephen Maxwell Donkor (UN-Water Africa), Sean Doolan (DFID Environmental Advisor, India), Bastiaan Engelhard (Environment and Water Department, DGIS The Hague), Josef Gamperl (KfW Department Developing Country Economics), Wilm Geurts (Economic and Ecological Cooperation Department, Ministry of Foreign Affairs, The Hague), Samia Al Ghundi (Advisory Panel on Water Management, Cairo), Antoinette Gosses (RNE, Addis Ababa), Paul Hassing (Environment and Water Department, DGIS The Hague), Jan Hijkoop (Human Rights and Peacebuilding Department, DGIS The Hague), Lex van der Hoeven (Environment and Water Department, DGIS The Hague), Anna Holmryd (Sida Policy Department), Aart van der Horst (Environment and Water Department, DGIS The Hague), Kidanemariam Jembere (Ethiopia Country Water Partnership), Gerben de Jong (Environment and Water Department, DGIS The Hague), Takella Kassa (WaterAid Ethiopia), Martin Kipping (Adviser, BMZ Division Water, Energy and Urban Development), Piet Klop (Environment and Water Department, DGIS The Hague), Arend Kolhoff (EIA Commission, Utrecht), Peter de Koning (Environment and Water Department, DGIS The Hague), Helmut Lang (GTZ Head of Section, Water, Wastewater, Solid Waste), Tarek Morad (RNE, Cairo), Edson Mpysi (Food and Security Division, African Union, Addis Ababa), Abdullah Nadir (National Water Resource Plan, Ministry of Water Resources and Irrigation, Cairo), Chris de Nie (Cultural Cooperation, Education and Research Department, DGIS The Hague), Sonia van Nispen (RNE, Benin), David Nilsson (Sida INEC), Theo van der Pas (RNE, Addis Ababa), Stephan Paulus (GTZ Deputy Director, Department Environment and Infrastructure), Ellen van Reesch (Effectiveness and Quality Department, DGIS The Hague), Karin Roelofs (Environment and Water Department, DGIS The Hague), Frans van Rijn (RNE, Cairo), Ahmed Salem (DG Planning and Information, Environmental Protection Authority, Yemen), Robert-Jan Scheer (Effectiveness and Quality Department, DGIS The Hague), Paulos Semeles (DFID, Addis Ababa), Mahmoud M. Shidiwah (Chairman, Environmental Protection Authority, Yemen), Fred Smiet (Environment and Water Department, DGIS The Hague); Hans Spruyt (UNICEF, Addis Ababa), Uwe Strangmann (KfW Department Developing Country Economics), Tim Sumner (DFID Environmental Advisor), To Tjoelker (Social and Institutional Development Department, DGIS The Hague), Niels Veenis (RNE, Islamabad), Rob Verheem (EIA Commission, Utrecht), John-Olov Vinterhav (Department for Infrastructure and Economic Cooperation, Sida), Mieke Vogels (RNE, Addis Ababa), Franke Toornstra (RNE, Dakar), Jannik Vaa (European Union,

Addis Ababa), Frits van der Wal (Sustainable Economic Development Department, DGIS The Hague), Jürgen Welschhof (KfW, Department Water and Waste Management), Hans Wessels (Environment and Water Department, DGIS The Hague), Vakar Zakaria (Hagler-Baley, World Bank Advisor on Environment, Islamabad), Fekre Zewdie (Action Aid Ethiopia), Ton van der Zon (Environment and Water Department, DGIS The Hague).

#### **Workshop on Mainstreaming Environment and Water:**

Habib Hellali (Tunisia), Asma Ben Moussa (Morocco), Abdel Hakim Saidj (Algeria), Abdu Mudesir Issa (Ethiopia), Mitiku Bedru Gochefo (Ethiopia), Camille Flore Sandjong (Cameroon), Samwel Zakayo (Tanzania), John Robert Okello (Uganda), John Onyango Orwa (Kenya), Nguyen Thi Bich Thuy (Vietnam), Nguyen Than Fam (Vietnam), Hoang Thi Hoa (Vietnam).

#### **Telephone and email exchange:**

Monique Calon (RNE, Ruanda), Wilma van Esch (RNE, Ghana), Armand Evers (RNE, Dhaka), Cas van der Horst (RNE, Tirana), Jan Huesken (RNE, Colombo), Jaco Mebius (RNE, Jakarta), Michiel Laan (RNE, Tirana), Eric-Jan Oosterhout (RNE, Dakar/Cape Verde), Ineke van der Pol (RNE, Zambia), Peter de Vries (RNE, Mali), Wijnand van de IJssel (RNE, Maputo), Ben Zech (RNE, Hanoi), Helen Zeller (Agency for International Business and Cooperation, Ministry of Economic Affairs).

#### **Literature consulted:**

- BMZ, GTZ, 2004. National forest programmes – instruments for improving sector governance? BMZ, Bonn.
- Bojö, J., R.C. Reddy, 2003. Status and evolution of environmental priorities in the poverty reduction strategies. an assessment of fifty poverty reduction strategy papers. World Bank Environment Department, Washington, D.C.
- Boyd, R. et al., 2005. Environmental fiscal reform - What Should Be Done and How to Achieve It. World Bank, Washington, D.C.
- Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung, 2005. Der Beitrag Deutschlands zur Umsetzung der Millenniums-Entwicklungsziele. BMZ, Bonn.
- Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung, 2004. Fortschrittsbericht zur deutschen bilateralen Entwicklungszusammenarbeit im Waldsektor. BMZ, Bonn, Germany.
- Commission of the European Communities, 2004. Commission working document: integrating environmental considerations into other policy areas – a stocktaking of the Cardiff process. Commission of the European Communities, Brussels.
- DFID, nd. Environmental guide: a guide to environmental screening. DFID, London.
- DFID, 2001. Target strategy paper on poverty elimination and the environment. DFID, London.
- DFID, EC, UNDP, 2002. Linking poverty reduction and environmental management. Policy challenges and opportunities. World Bank, Washington, D.C.
- DFID, 2004, Poverty Reduction Budget Support, Policy Paper.
- Federal Ministry for Economic Cooperation and Development, 2001. Poverty reduction – a global responsibility. BMZ, Bonn.
- Federal Ministry for Economic Cooperation and Development, nd. Environment, poverty and sustainable development. Sector Project 'Environmental Knowledge Management'. GTZ, Eschborn, Germany.



- Flint, M. et al., 2000. *Environmental evaluation synthesis study. environment: mainstreamed or sidelined? county studies volume II. Evaluation Report EV626*, DFID, London.
- Hamilton, K., E. Lutz, 1996. *Green national accounts: policy uses and empirical experience. Environment Department Paper No. 39*. World Bank, Washington, D.C.
- Hayward, B., 2005. *From the mountain to the tap: how land use and water management can work for the rural poor*. DFID, London.
- High Level Forum on Aid Effectiveness, 2005. *Paris declaration on aid effectiveness: ownership, harmonisation, alignment, results and mutual accountability*.
- Ministry of Foreign Affairs, Directorate-General for International Cooperation, 2003. *Mutual interests, mutual responsibilities. Dutch development cooperation en route to 2015*. Ministry of Foreign Affairs, Directorate-General for International Cooperation (DGIS).
- ODI, 2004. *From plan to action: water supply and sanitation for the poor in Africa. Briefing paper*. ODI, London.
- OECD, 2005. *Environmental fiscal reform for poverty reduction. DAC Guidelines and Reference Series*. OECD Publishing, Paris.
- OECD, 2002. *The DAC guidelines. Integrating the Rio Conventions into development cooperation*. OECD Publishing, Paris.
- PriceWaterhouseCoopers, GRET, Forum Pour L'Afrique, MIMAP, 2004. *EU-ACP SIA of the EPAs. Phase 2 Inception Report*.
- Ravnborg, H.M., H. Egelyng, K. Raben and D.A. Wardell, 2005. *Integrating environment as a cross-cutting issue in Danish Development Assistance: a review of post-19999 experiences*. Danish Institute for International Studies, Copenhagen.
- Schultz, J. 2004. *Follow the money: a guide to monitoring budgets and oil and gas revenues*. Open Society Institute, New York.
- SDC, Swiss Re, SECO. *Public-private partnerships for water supply and sanitation. Policy principles and Implementation Guidelines for Sustainable Services*.
- Sida, 2002. *Indicators for environmental monitoring in international development cooperation*. Sida, Stockholm.
- Sida, 2004. *Integrating the environment: knowledge for environmentally sustainable development*. Sida, Environmental Policy Division, Stockholm.
- UNICEF, IRC, 2005. *Water, sanitation and hygiene education for schools. Roundtable proceedings and framework for action*. UNICEF/IRC, Oxford.
- Yaron, G, J. White, 2002. *Mainstreaming cross-cutting themes in programme and sector aid: the case of environmental issues*, ODI Natural Resource perspectives Number 77, March, ODI, London.
- World Bank, 2001. *OED review of the bank's performance on the environment. Sector and Thematic Evaluation Group, Operations Evaluation Department*. World Bank, Washington D.C..
- World Resources Institute, 2004. *WRI annual report 2004. Ideas into action*. WRI, Washington, D.C.

este  
y  
g

# **Annex 2: Suggested partner country mainstreaming strategies**

Country	Multi-Annual Strategic Plan	Legislation			(optional) Strategy Section
		Water as sector	(sector) budget program support	Private sector programs (in civil society)	
Algeria		■			Limited opportunities for mainstreaming Strengthen mainstreaming through national organizations Concentrate on budgeting and implementation (national programs) Make use and build capacity for strategic assessments Strengthen role of civil society in mainstreaming
Armenia					Limited opportunities for mainstreaming
	Environment incorporated in IWRM and education, suggestion for integration WSS in health	■		■	Strengthen mainstreaming through national organizations Concentrate on budgeting and implementation (national programs) Make use and build capacity for strategic assessments Mainstreaming through private sector programs
	Water is sector, scope for environmental mainstreaming explored	■	■	■	Strengthen mainstreaming through national organizations Concentrate on budgeting (MTEFs) and implementation (program support) Make use and build capacity for strategic assessments Mainstreaming through private sector programs
Bolivia	Environment integrated in good governance; water in economic sector		■	■	Strengthen mainstreaming through general budget support/ donor harmonization processes* Develop crosscutting programs with education Develop crosscutting programs with private sector development Strengthen role of civil society in mainstreaming

Country	Focus / Multi-Sectoral Program	Government	Engagement (Sector) Budget Program	Engagement (Private Sector) Program	Suggested General Mainstreaming Strategy
Ethiopia	<p>WSS integrated in good governance; environment in education</p> <p>Large environmental program</p> <p>Environment is sector; water is part of environment</p> <p>Water is sector, environment incorporated in water</p>	<p>■</p> <p>■</p> <p>■</p> <p>■</p>	<p>■</p> <p>■</p> <p>■</p> <p>■</p>	<p>■</p> <p>■</p> <p>■</p> <p>■</p>	<p>Link to regional program on environment</p> <p>Strengthen mainstreaming through general budget support/donor harmonisation processes*</p> <p>Develop crosscutting programmes with health and/or education</p> <p>Develop crosscutting programmes with private sector development</p> <p>Strengthen role of civil society in mainstreaming</p> <p>Strengthen mainstreaming through national organizations</p> <p>Concentrate on budgeting (MTEFs) and implementation (program support)</p> <p>Make use and build capacity for strategic assessments</p> <p>Strengthen mainstreaming through national organizations</p> <p>Concentrate on budgeting and implementation (national programs)</p> <p>Make use and build capacity for strategic assessments</p> <p>Strengthen role of civil society in mainstreaming</p> <p>Strengthen mainstreaming through national organizations</p> <p>Concentrate on budgeting and implementation (national programs)</p> <p>Make use and build capacity for strategic assessments</p> <p>Strengthen role of civil society in mainstreaming</p> <p>Developing crosscutting programs with education</p>

Country	Multi-Agency Rating	Sector	(sector) budget or program support	Private Sector	Mainstreaming Strategy
Ghana	Regional water and environment program to be formulated		■	■	Strengthen mainstreaming through general budget support/ donor harmonization processes* Develop crosscutting programs with health and/or education Develop crosscutting programs with private sector development Strengthen role of civil society in mainstreaming Limited opportunities for mainstreaming
Ghana	Environment is sector. WSS incorporated in health	■	■	■	Strengthen mainstreaming through national organizations Concentrate on budgeting (MTEFs) and implementation (program support) Make use and build capacity for strategic assessments Mainstreaming through private sector programs
Ghana	Environment integrated with good governance and productive sector; water part of Environment Program	■			Strengthen mainstreaming through national organizations Concentrate on budgeting and implementation (national programs) Make use and build capacity for strategic assessments Strengthen role of civil society in mainstreaming
India	WSS in water sector	■			Strengthen mainstreaming through national organizations Concentrate on budgeting and implementation (national programs) Make use and build capacity for strategic assessments Strengthen role of civil society in mainstreaming
Kenya	Water and environmental program to be formulated		■	■	Strengthen mainstreaming through general budget support/ donor harmonization processes* Develop crosscutting programs with health and/or education Develop crosscutting programs with private sector development Strengthen role of civil society in mainstreaming

Country					Supported General Mainstreaming Strategies
M	Future opportunities				Developing crosscutting programs with education
M	Environment is sector, water incorporated in environment; WSS in Health; Environment in Education	■	■		Strengthen mainstreaming through national organizations Concentrate on budgeting (MTEFs) and implementation (program support) Make use and build capacity for strategic assessments Develop crosscutting programs with health and/or education Limited opportunities for mainstreaming
M					
M	Environmental program	■		■	Strengthen mainstreaming through national organizations Concentrate on budgeting and implementation (national programs) Make use and build capacity for strategic assessments Mainstreaming through private sector programs
M	Environment in good governance – being reduced	■	■	■	Strengthen mainstreaming through national organizations Concentrate on budgeting (MTEFs) and implementation (program support) Make use and build capacity for strategic assessments Mainstreaming through private sector programs
M	WSS in Health and environment in productive sector		■	■	Strengthen mainstreaming through general budget support/donor harmonisation processes* Develop crosscutting programmes with health and/or education Develop crosscutting programmes with private sector development Strengthen role of civil society in mainstreaming

Country	Multi-Agency Strategic				Suggested General Mainstreaming Strategy
			Budget Support	Private Sector Program	
Papua New Guinea	Environment is sector; water incorporated in environment	■		■	Strengthen mainstreaming through national organizations Concentrate on budgeting and implementation (national programs) Make use and build capacity for strategic assessments Mainstreaming through private sector programs Developing crosscutting programs
	Water in Good Governance Water and Environment in Conflict Resolution		■		Strengthen mainstreaming through general budget support/donor harmonisation processes* Strengthen role of civil society in mainstreaming
Senegal	Environment as sector. Sanitation incorporated in environment	■	■	■	Strengthen mainstreaming through national organizations Concentrate on budgeting (MTEFs) and implementation (program support) Make use and build capacity for strategic assessments Mainstreaming through private sector programs
Senegal	WSS in Health, environment and water work with private sector			■	Developing crosscutting programs with private sector development and health sector
Sierra Leone	Environment is sector; integrated in private sector	■		■	Strengthen mainstreaming through national organizations Concentrate on budgeting and implementation (national programs) Make use and build capacity for strategic assessments Mainstreaming through private sector programs

Country	Focus in II	III		Suggested General Mainstreaming Strategy
		1	2	
Sri Lanka	Environment as sector, also integrated in health and education	■		<ul style="list-style-type: none"> <li>Strengthen mainstreaming through national organizations</li> <li>Concentrate on budgeting and implementation (national programs)</li> <li>Make use and build capacity for strategic assessments</li> <li>Mainstreaming through private sector programs</li> </ul>
	WSS being phased out		■	<ul style="list-style-type: none"> <li>Strengthen mainstreaming through general budget support/donor harmonisation processes*</li> <li>Strengthen role of civil society in mainstreaming</li> <li>Develop crosscutting programmes with health and/or education</li> </ul>
			■	<ul style="list-style-type: none"> <li>Strengthen mainstreaming through general budget support/donor harmonisation processes*</li> <li>Strengthen role of civil society in mainstreaming</li> <li>Develop crosscutting programmes with education</li> </ul>
	Water and environment are sectors. Much integration	■	■	<ul style="list-style-type: none"> <li>Strengthen mainstreaming through national organizations</li> <li>Concentrate on budgeting (MTEFs) and implementation (program support)</li> <li>Make use and build capacity for strategic assessments</li> <li>Mainstreaming through private sector programs</li> </ul>
Yemen	Water is sector, environment incorporated in water	■	■	<ul style="list-style-type: none"> <li>Strengthen mainstreaming through national organizations</li> <li>Concentrate on budgeting (MTEFs) and implementation (program support)</li> <li>Develop crosscutting programs with health and/or education</li> <li>Make use and build capacity for strategic assessments</li> </ul>



Country	Multi-Agency Programme	Sector	(sector) budget program support	Private sector program	Suggested General Mainstreaming Strategies
	Environment in Education; Sanitation in Health		■	■	<p>Strengthen mainstreaming through general budget support/donor harmonisation processes*</p> <p>Develop crosscutting programmes with health and/or education</p> <p>Develop crosscutting programmes with private sector development</p> <p>Strengthen role of civil society in mainstreaming</p>

\* Please note that in some of these countries no budget support can currently be given.

# Annex 3: Benchmarking

## **1. Best case benchmarking**

### *What to do?*

Best case benchmarking presents the best one, two or three examples of mainstreaming for each embassy. Presenting the best cases is a good reflection of whether (any) success is achieved in the particular country programme. The description of a best case should consist of a quantification of the inputs and outputs and an assessment of what would have happened if this activity had not taken place.

### *How to implement?*

Cases would need to be submitted by the RNEs and the implementing parties. The documentation can be left to a local professional writer/investigator.

Documentation should consist of verification of the material, collection of visual material and interviews with those directly involved/affected by the programme. The documentation should follow a set format consisting of:

- Description of the activity (organisation, approach, cost, mode of implementation, bottlenecks);
- Quantified assessment of impact (number and type of persons affected, environmental cost saved, other effects, potential to replicate);
- Quantified assessment of what would have happened in 'if not' case.

### *What will it achieve?*

'Best case' benchmarking will serve to show the highlights in mainstreaming. This will produce a good indication of the success of the programme – if there is nothing to show, mainstreaming is not coming off the ground.

The documentation will also provide experiences and cases for use by others – within the country, in other countries or with different agencies. The emphasis is on the fact that things that work will help promote the mainstreaming policy.

Presenting success stories in a sober way will also help to address political accountability in a proactive and positive manner.

## **2. Opportunity score card**

### *What to do?*

Identify and explain the most powerful opportunities for mainstreaming environment and water (as part of the Multi-Annual Strategic Plan) with the help of a matrix of possible options. Describe the opportunities and how the different activities address the opportunities.

This resembles the environmental profile used by the European Commission in formulating country assistance strategies but makes a more systematic link between environmental challenges and programme activities. It also asks questions on opportunities.

The score card can incorporate the matrix used in the Environment and Water Department for mainstreaming environment in country programmes (for example Mongolia and Bolivia, see also *Ideas and Experiences Book*), which differentiates between the different policy processes that one can slot in.

#### *How to implement?*

A matrix with the different opportunities for mainstreaming environment and water should be prepared – adjusted for the country.

The matrix consists of four columns:

- Standard generic overview of possible crosscutting activities in different thematic fields (environment and trade; environment and health; etc.);
- Country-specific overview of relevant crosscutting activities in different thematic fields (with reference to institutional, financial and regulatory arrangements, public and private sector capacities);
- Country-specific opportunities to support policy process, implementation programmes or private sector/civil society activities in these specific areas;
- Activities incorporated in the country programme of the RNE.

The first column would already be filled in, with scope to add specific new crosscutting activities. Other points would be discussed and completed as part of the design or review of country assistance programmes.

#### *What will it achieve?*

The card will give an overview of the relevance of the programme for mainstreaming and the total activity and ambition levels in comparison with the magnitude of opportunities and issues. It may also help inspire programme design and identify blank spots that might have been overlooked. It can help in defining programme priorities, in agenda setting with the host country and in donor harmonisation.

The opportunity card may also be used in supporting national environmental agencies that promote mainstreaming of environment and water.

### **3. Expenditure tracking/budget review**

#### *What to do?*

Analyse the different budget components in the annual programmes and assess whether environment or water is 'managed'. To do this, light criteria are used, which vary according to the type of aid modality. The basic criterion is whether in the particular programme water or environment objectives are formulated and whether these are monitored or tracked. The proposed criteria for the different modalities are given in the table below. For each activity, these should give an unambiguous 'yes' or 'no'.

Modality	Yes Criteria
General	All project and programmes with explicit environmental or water objectives
Project	Performance criteria on environment and water incorporated and monitored as part of MTEF
Programme support	In programme document/logframe water/environmental objectives are mentioned and reflected in reporting system
Sectoral	Performance criteria on environment and water incorporated and monitored as part of MTEF
General budget support	Performance criteria on environment and water incorporated and monitored as part of MTEF
Private sector	In project document/logframe water/environmental objectives are mentioned and reflected in reporting system
Civil society	In programme document/logframe water/environmental objectives are mentioned and reflected in reporting system

The results of the exercise are then added up – and the part of budget where environment is mainstreamed can be calculated. At a higher level of aggregation, one can also assess whether in a given sector in a country there is some or no mainstreaming of environment and/or water.

#### *How to implement?*

In principle, assessing these criteria is a tick-marking exercise by the person responsible for the supervision of the particular activity. The budget review can be done as part of the annual reporting.

The Environment and Water Department may collate the reports of the different countries and bundle these in an annual report – together with the results (especially experiences) from the ‘best case’ benchmarking.

#### *What will it achieve?*

This process will allow generation of a bilateral programme-wide quantified assessment of the degree of mainstreaming.

It will help identify the areas (countries, sectors) of strong and weak performance. It may encourage those responsible for the country programmes to step up mainstreaming efforts.