



Review of the Embassy' Development Assistance Portfolio Regarding Increased Focus on Environmental Aspects

“Greening of the Portfolio”

Norad

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Review of the Embassy' Development Assistance Portfolio Regarding Increased Focus on Environmental Aspects

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By

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Kathmandu, June 2007

PREAMBLE

The Royal Norwegian Embassy in Kathmandu (the Embassy) requested the assistance from Norad to undertake a review of the Embassy's portfolio to identify possible ways and means of addressing/integrating appropriate environmental concerns in existing programs and projects supported by Norway. The review was commissioned in response to the increased priority given to environment in Norwegian development cooperation policy.

Environment is not among the priority areas for Norwegian development support to Nepal, which is energy, mainly renewable energy, primary education and good governance, including human rights. But as the present Norwegian government focuses strongly on environment and has made environment one of the five priority areas of Norwegian development cooperation the Embassy will assess the environmental focus within its development portfolio.

The overall purpose of the review of the Embassy's portfolio is to identify possible ways and means of addressing/integrating appropriate environmental concerns in the current agreements within present framework and budgets, and for possible future phases of the various programs. In essence this review will contribute to a "greening" of the Embassy's portfolio.

In addition the review team, through an internal seminar, provided the Embassy updated information regarding the implementation of the Norwegian Action Plan for Environment in Development Cooperation with a key focus on mainstreaming and operationalization of the four priority areas in the Action Plan.

The review has been undertaken through desk studies and discussions with representatives from implementing institutions in Nepal in the period 12-19 April 2007. The review has been based on a limited desk review of relevant documents and discussions with key stakeholders. Due to the time available the Team has not been able to cross-check and verify information. A draft report was submitted to the Embassy upon the Team's departure from Kathmandu. The Embassy's comments to the draft report have been incorporated.

The Review Team appreciates the fruitful and open discussions with institutions in Nepal and the assistance provided by the Embassy.

The Review Team was comprised of Hans Olav Ibrekk and Ivar Jørgensen.

Kathmandu, 5 June 2007

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SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

The Royal Norwegian Embassy in Kathmandu requested Norad to undertake a review of the Embassy's portfolio to identify possible ways and means of addressing/integrating appropriate environmental concerns in the current agreements within present framework and budgets, and for possible future phases of the various programs.

Environmental concerns must be taken into account in all Norwegian-supported development cooperation. Potential impacts on the environment must be assessed, and proposals aimed at reducing adverse effects must be integrated into all measures. Norway has an obligation to ensure that assessments of environmental and social impacts are carried out in connection with the use of Norwegian development cooperation funds. Furthermore, it should be considered whether it is possible to integrate components that are beneficial to the environment into the measures or add them as supplements to sector programs.

This report addresses possibilities to integrate environmental concerns in existing agreements by:

- Identifying and avoiding harmful direct and indirect environmental impacts of cooperation programs in the different sectors which can undermine sustainability and counteract achieving the development co-operation objectives of poverty reduction – “do no harm”.
- Recognizing and realizing opportunities for enhancing environmental conditions, thereby bringing additional benefits to development and economic activities and advancing environmental issues that are a priority for the Norway – “do good”.

Conclusions and Recommendations

The Review Team offers the following general conclusions and recommendations:

- “Do no harm” is not adequately addressed in the Embassy's portfolio. For several projects/program information on the need to undertake environmental assessment is not clearly documented.
- Some scope to “do good”. For each project/program the Review has identified possibilities to do good within the existing objectives and activities. These should be pursued further in the Embassy's dialogue with partners.
- Strengthen documentation of environmental considerations in appropriation documents. All ADs should include specific references to environment.
- Several of the projects/programs in the Embassy's portfolio are environment-related and should be given policy marker environment, either 2 – environment as primary objective, or 1 – significant objectives. This applies in particular to the Embassy's clean energy portfolio.
- Include environment actively in policy dialogue with the Government of Nepal. In discussions on Nepal's poverty reduction strategy the Embassy should address the poverty – environment nexus.
- Assess the potential for “do no harm” and “do good” in all development projects supported by the Embassy.

The Review Team has assessed eight projects supported by Norway; 4 energy-related, 3 governance-related and 1 education project. For each project the scope for mainstreaming of environment has been assessed and specific recommendations are provided to the Embassy to that effect, as well as actions to climate proofing of the portfolio.

1. MAINSTREAMING OF ENVIRONMENT IN DEVELOPMENT COOPERATION – APPROACH AND METHODOLOGY

1.1 Introduction

The Norwegian Action Plan for Environment in Development Cooperation was presented in June 2006. The Government's aim is for Norway to play a leading role in making environmental concerns an integral part of all development cooperation. The ultimate goal of Norway's efforts is for developing countries to acquire the capacity and competence necessary to safeguard their right to a clean environment and the ability to manage their natural resources in a sustainable manner. The action plan sets the direction for Norway's efforts for the next ten years.

In Chapter 3.2 some of the specific implications for the work of Embassies of the Action Plan are presented.

Human activities in all sectors produce effects or consequences on the environment (e.g. deforestation, biodiversity loss, soil erosion, air pollution, water contamination), which are usually referred to as environmental impacts. Impacts may be positive or negative, direct or indirect, visible or not. For example, sectors such as transport, energy, agriculture and industry directly pollute and consume natural resources. Other sectors, such as education, governance or macro-economic reform have more indirect impacts, through changing behavior and practices affecting the environment (both positively and negatively). Depending on their intensity, duration, frequency, reversibility, cumulative or synergic nature and socio-economic consequences, potential impacts can be (or not) considered to be significant, important enough to justify mitigation or enhancement measures.

Some sectors are more vulnerable to environmental changes, others produce higher impacts, and all sectors have the potential for environmental integration. Using governance and institutions as an example, potential environmental integration entry points include: environmental institutions and capacities; legislative capacity; environmental law; environmental statistics; participation of civil society and decentralization programs.

1.2 Environmental Mainstreaming in the Context of the Embassy's Portfolio

The overall purpose of the review of the Embassy's portfolio is to identify possible ways and means of addressing/integrating appropriate environmental concerns in the current agreements within present framework and budgets, and for possible future phases of the various programs. In essence this review will contribute to a "greening" of the Embassy's portfolio.

Addressing/integrating environment implies 'mainstreaming' of environment in the Embassy's portfolio. **Environmental mainstreaming** refers to the integration of environmental policy considerations into core institutional thinking with other policies and related activities, as well as with coordination and harmonization, to ensure policy coherence. In this way, mainstreaming can help align policies, programs and operations with the long-term requirements of sustainable development, help modernize development policy content and procedures, and promote a pro-active approach rather than responding to impacts as they unfold. Mainstreaming covers both assessing scope for benefiting from environmental opportunities and avoiding negative impacts on the environment.

For the Embassy the integration of environment during programming serves two objectives:

- To identify and avoid harmful direct and indirect environmental impacts of cooperation programs in the different sectors which can undermine sustainability and counteract achieving the development co-operation objectives of poverty reduction – “**do no harm**”.
- To recognize and realize opportunities for enhancing environmental conditions, thereby bringing additional benefits to development and economic activities and advancing environmental issues – “**do good**”.
- Combined this will contribute a “**greening**” of the Embassy’s portfolio.

In the Norwegian-supported development efforts the Embassy should actively promote “Do good”, in addition to “Do no harm”. This will be an effective contribution to Norway’s commitment to ensure that people and the environment are not harmed as a result of its financing, reduce and manage risk - save money and time, improve performance and ultimately reduce risks to the Embassy’s reputation. The development objectives of projects and programs are enhanced by integrating social and environmental considerations. Environmental issues should not be looked as a problem to be solved, but as an opportunity to enhance the quality and sustainability of Norwegian-supported development assistance programs in Nepal.

1.3 Policy Context – Nepal

Nepal’s ecology and environment are diverse and sensitive. A rapidly growing population is putting pressure on the natural resource base, particularly water, land, and forest resources. Much of the forestland between the Himalayas and the Terai has been cleared to provide room for crops, livestock, and human settlement. Population growth, together with haphazard urbanization and spreading transport links, has contributed to deforestation, overuse of limited available land for agricultural purposes, increasing congestion and sprawl-type development in urban centers, and environmental degradation associated with the disposal of solid wastes and other forms of pollution. Air and water pollution in Kathmandu Valley is particularly severe. The industrial base is limited, but this has already contributed to a variety of pollution problems at the local level (Country Environment Analysis 2004).

Nepal has always recognized the value of protecting its natural resources and, from the beginning of the 8th plan period (1992-1997); environmental issues are consistently included in Nepal’s socioeconomic development plans. The National Planning Commissions (NPC), whose mandate it is to review all national and sectoral environmental policies, programs and projects before they are implemented has also always integrated environmental issues into its socioeconomic development planning and has embedded environmental management policies within the policies of sustainable development and poverty reduction.

The Government has made several efforts to integrate environmental concerns into national development plans and programs since the early 1980s. The Environment Protection Council (EPC) was established in 1993 and the Ministry of Population and Environment (MOPE) in 1995 to further develop and implement environmental policies and programs. Since then, there has been some progress in developing legislation, introducing environmental impact assessments (EIAs), promulgating the Nepal Environmental Policy and Action Plan, enacting the Environment Protection Act and the Environment Protection Rules in 1997, and developing standards. The Environment Protection Act, 1996 is the principal legal framework for environment protection and pollution control. The Act states that proponent shall have to carry out Initial Environmental Examination (IEE) and/or EIA of the prescribed proposal. However, EIA is still largely considered to be an ‘add-on’ project burden and EIA reports are commonly based on inadequate data. EIA guidelines for key sectors have been developed.

1.4 Approach and Methodology

The overall purpose of the review of the Embassy's portfolio is to identify possible ways and means of addressing/integrating appropriate environmental concerns in the current agreements within present framework and budgets, and for possible future phases of the various programs. The review was also requested to identify possible policy level interventions as feedback to strategic thinking at Embassy, headquarter, and regional level.

The Embassy identified eight specific projects as focus programs and projects for the review. These projects represent a cross-section of the Embassy's portfolio and covers the bulk of the overall cooperation program. The Review Team did not have any objections to the selection of projects. It is crucial to be aware that the review was not an audit, in which case the Team should have selected the projects to be assessed. This was a review to assist the Embassy in its own effort to assessing environmental factors related to its' portfolio.

The Embassy provided copies of relevant documents and communications for all eight projects to the Team. Based on a desk review the Team identified key issues that were subsequently discussed with Embassy staff and with representatives of cooperation partners in Nepal. During these meetings additional information on the eight projects were collected, updated information on the status of project implementation was given and preliminary findings of the review discussed. Through these discussions scope for 'do good' and 'do no harm' was discussed. The 'do no harm' discussions were based on Nepal's legal framework and the obligation to ensure that assessments of environmental and social impacts are carried out in connection with the use of Norwegian development cooperation funds. The 'do good' discussions were mainly based on the Team's broad environmental knowledge and competence and ideas provided by representatives of cooperation partners.

The review's starting point is that the review should focus on identifying environment-related activities that will contribute (directly or indirectly) to the overall development objective(s) of the project/program. The rationale behind this is to avoid a complicated objective structure and thereby hampering implementation. If this does not seem feasible, environmental issues will need to be addressed outside of the project and thus will probably remain unachieved. Alternatively they should constitute an additional outcome of a particular strategy and may justify its selection, however, then in a separate operation.

All representatives of cooperation partners met were actively involved in project implementation. In Annex III a detailed list of persons met is given.

The findings of the Team were presented to the Embassy with all staff presented. The Embassy staff provided initial comments and the findings were discussed. Based on these discussions the Team prepared its draft report which was submitted to the Embassy for consideration upon departure from Kathmandu.

2. ASSESSMENT OF THE EMBASSY'S PORTFOLIO

2.1 Introduction

The Embassy identified the projects to be reviewed and requested the Review Team to focus on the following projects:

PTA number and name	Agreement and implementing partner	Agreed amount NOK
NPL-03/814 Education for All 2004-2009	Ministry of Finance (agreement) Ministry of Education and Sport (implementing)	175 mill
NPL 05/015 Human Rights Yearbook 2007-2009	Informal Service Centre INSEC	6 mill
NPL-01/811 Decentralised Local Governance Support Program (DLGSP)	UNDP (agreement) Ministry of Local Development (Implementing)	45,5 mil
NPL 06/015 Energy Sector Assistance Program II (ESAP II)	Ministry of Finance (agreement) Alternative Energy Promotion Centre (AEPC) (Implementing)	125 mill
NPL -07/006 Nepal Peace Trust fund	Ministry of Finance (agreement) Various ministry (implementing)	13 mill
NPL- 05/017 Irrigation and Rural Electrification, Butwal Power Company	Butwal Power Company	12.8 mill
NPL- 06/010 Training Community Based Electrification	Winrock International	0.755 mill
NPL- 06/018 Hydro lab. Phase II	Hydro lab Pvt. Ltd.	6.5 mill

In the following the main findings of the review of the various projects and programs are presented. For each project a short description of goals and activities are presented for information, existing environment-related activities included in the project are presented, scope for integration is assessed and finally specific recommendations to the Embassy are provided.

2.2 NPL- 03/814 Education for All 2004-2009

Goals and Activities

Education for All (EFA) 2004-2009 is a five-year strategic plan within the EFA 2015 framework. It has the following three objectives: i) Ensuring access and equity in primary education, ii) Enhancing quality and relevance of primary education, and iii) Improving efficiency and institutional capacity.

EFA has the following six program components: i) Expanding and improving early childhood development; ii) Ensuring access to education for all children; iii) Meeting the learning needs of all children including indigenous peoples and linguistic minorities; iv) Reducing adult illiteracy; v) Eliminating gender and social disparities; and vi) Improving all aspects of quality education.

The program is implemented by the Ministry of Education and Sports (MoES).

Environment-related Activities Included

Environmental issues are included in various school curricula and in text books. Through these children is provided with knowledge amongst other on nature, biology, natural resources management, water, sanitation and hygiene. Environment is treated as a cross-cutting issue at all education levels. The National Centre for Education Development has developed specific teacher training packages covering environmental and natural resources issues. This even includes packages aimed at non-formal education. The MoES has taken up the challenge posed by the Hyogo Plan of Action to include issues linked to natural disasters in curricula and in schools building programs (as probably one of the first countries).

Construction of water supply and sanitation facilities is included in the school building programs. There are specific design standards for schools, i.e. an environmental manual; however, they are not always adhered to by communities due to cost considerations.

Assessment of Scope for Integration

According to information provided there seems to be a disconnect between the education provided and the resulting change in behavior. Even though hygiene education is provided and included in curricula children tend not to practice what they are being taught. This could be because of the quality of the education or lack of facilities to practice hygienic behavior at schools and in communities. There are also indications that not all schools are provided with water and adequate sanitation facilities, the argument being unreasonable high costs in certain areas.

Water, sanitation and hygiene are important prerequisite for ensuring the right to basic education. Children commonly miss school because they are too busy fetching water or are sick with a water-related disease. Girls — especially older girls who have reached the age of menarche — are often reluctant to stay in school when toilet and washing facilities lack privacy, are unsafe or are non-existent. Even when children are in school, they are often not meeting their learning potential due to mental stunting caused by helminth infections and diarrhoea. Programs that combine improved sanitation and hand-washing facilities in schools with hygiene education can improve the health of children. Where properly integrated into wider community initiatives, school-based programs also promote positive change in communities as a whole.

Every girl and boy has the right—and responsibility—to drink safe water, use clean toilets and practice personal hygiene, including washing hands with soap. Providing children with safe, clean and reliable school water supply and sanitation facilities helps to make the learning environment pleasant and healthy. Providing children with high-quality hygiene education helps to give them the basis for a healthy and productive life, creates future demand for safe water and sanitation facilities and, where integrated with a community program, can help to turn children into change agents for the whole community.

In UNICEF's revised water, sanitation and hygiene strategy for 2006 – 2015 the target is to ensure that all schools have adequate child-friendly water and sanitation facilities and hygiene education programs. Norway should support UNICEF's efforts in achieving this target.

It has been argued that the cost of providing adequate water and sanitation to schools is prohibitive and if included will reduce the reach of the education programs. This is not a valid argument considering the significant influence on education outcomes from lack of water supply and sanitation. For schools that are located on hillsides or top of hills where piped water supply cannot reach, rainwater harvesting facilities could be installed. Certainly simple pit latrines or VIP latrines need no water to flush, though some communities need water for

ablutions. Installing latrines do not have to stop just because water is not available, but without water it becomes much more difficult to promote good hygiene habits among the children since they cannot wash their hands after using the latrines. Rather than not building latrines at schools because of the lack of water, appropriate technologies to provide water should be investigated. All schools should have easy access to some water. Donor agencies should therefore allocate funds for water supply and sanitation facilities and hygiene education for schools in their plans and budgets.

The water supply and sanitation component in the EFA program should be strengthened and there seem to be a need to strengthen and refocus teacher training on hygiene education to improve outcomes.

Schools can play an important role in strengthening environmental and natural resources management in local communities through education of children and practical demonstration projects. This could as an example include:

- Organizing tree planting programs as part of the education as compensation for the 30 – 40 trees normally used for school construction. Five trees could be planted for each tree cut.
- Watershed management, e.g. construction of small check dams, slope stabilization measures, rehabilitation of construction spoil areas etc.
- Rainwater harvesting (for water supply at schools)
- Daily cleaning of toilets and urinals by teachers, boys and girls
- Establishment of school gardens
- Establishment of parks and playgrounds
- Increased use of ecological sanitation, production of biogas or compost.

Some of these activities will require certain budget allocations for recurrent expenditures for soap, sanitary and cleaning materials and equipment.

The *Embassy and the MoES could also consider to instigate a campaign where schools focusing on environmental issues are awarded “green awards”. A “Blekkulf” (environmental detective) campaign could also be considered, although this would probably require additional funds.

The quality of the environment-related education material and textbooks and teacher training has not been possible to ascertain. There seems, however, to be a need to revisit some aspects to ensure that intended outcomes of the education is achieved. Opportunities to develop new learning material on environment should also be explored.

Recommendations

According to the Action Plan Norway should support the installation of satisfactory water supplies and sanitary and hygiene facilities in schools and health institutions.

- *All Norwegian-supported school building programs should be provided with adequate water supply and sanitation. This should also apply to programs implemented by NGOs*
- *The Embassy should consider providing additional grants to support a program aiming at providing schools with adequate water supply, sanitation facilities and hygiene education. If sufficient water supply is not readily available alternative sanitation technology should be considered and alternative technologies to provide water should be investigated.*
- *The Embassy in its dialogue with MoES should focus on the need to provide adequate water supply and sanitation facilities and hygiene education at schools. This could be facilitated through increased cooperation with UNICEF on how to provide*

teacher training and integration of school water supply, sanitation and hygiene education into the school curriculum and/or examination syllabus. Without this it is not likely that EFA will achieve its intended outcomes in terms of enrolment and reduction in drop-out rates.

- *The Embassy may in its dialogue focus on the need to strengthen the quality of teacher training on environmental, natural resources and hygiene issues and when curricula and textbooks are revised, to focus on the need to revisit the environmental and natural resources components of the education. Universities and environmental NGOs, including international NGOs (e.g. IUCN), could be partners in this.*
- *The Embassy may suggest to MoES to instigate a green award campaign. If needed the Embassy could consider providing small funds for such an campaign if this can't be incorporated into the overall program (will give Norway increased visibility and publicity).*

2.3 NPL - 05/015 Human Rights Yearbook 2007-2009

Goals and Activities

The overall goal of the project is to provide a reliable source of information on human rights issues in Nepal for social scientists, human rights activists, journalists and other experts.

The overall objectives of the projects are:

- To build updated mass knowledge to stop human rights violation as it emerges, by collecting information through the local human rights activists and organizations working at the local level.
- To provide the target groups with properly documented information or conclusion of every collected incident and to ensure a follow up by monitoring such incidents in the future.
- To keep the target groups informed by analyzing minutely the incidents and enhancing the general public knowledge on the basic level of human rights violation.
- To provide strategies and solutions against human rights violation to the different Human Rights actors.
- To publicize up-to-date human rights violation reports and Human Rights movement achievements. The Publication of these issues is a continuous process.
- To contribute to the stop of human rights violation and to the provision of proper subsidy for the victims.

The support to prepare the Human Rights Yearbook is provided to the Informal Sector Service Centre (INSEC).

Environment-related Activities Included

None specifically, however, the issue of explosive remnants of war is closely linked to environmental issues. This also applies to the discussion on inclusion and the governance in general.

Assessment of Scope for Integration

The current project focuses on civil and political rights and does not address economic, social and cultural rights specifically. The Review Team does not possess detailed knowledge on the situation in Nepal, but offers the following ideas for discussions.

Today, most of Nepal's poor live in the informal economy, occupying land they do not own, working in small, informal businesses, and relying on friends for loans. They often have limited access to broader economic opportunities and are especially vulnerable to the uncer-

tainties, the corruption and even violence prevalent outside the rule of law. Today it is widely recognized that reducing informality requires a series of complex, in-depth policy initiatives and structural reforms that create real incentives for governments, institutions, and individuals, and ultimately improves the capacity of national and local governments to generate sustainable growth.

The issue of legal empowerment of the poor has therefore been taken up by several governments and an international Commission has been established. The stated aim of the Commission on Legal Empowerment of the Poor (Legal Empowerment) is to explore how nations can reduce poverty through reforms that expand access to legal protection and economic opportunities for all. Legal Empowerment is based on the conviction that poverty can only be eradicated if governments give all citizens, especially the poor, a legitimate stake in the economy, thus making it the right of all citizens, and not the privilege of a few, to have access to user and property rights and other legal protections.

Legal empowerment of the poor is closely linked to access rights to natural resources and environmental rights for men and women (especially of vulnerable groups, including ethnic minorities and indigenous peoples), land tenure reforms, secure and fair property rights; equal land distribution, property rights on biodiversity and access rights to natural resources. Measures to tackle corruption, including in the natural resources sector, is also of key information. Furthermore, this is linked to civil society participation, access to environmental information, decentralization and community participation (including less represented groups) in natural resource management and land use planning. Research clearly indicates that weak tenure arrangements cause less sustainable land management practices.

Nepal is not included as a focus country for the work of the Commission and no consultation is planned in Nepal. INSEC could take up the issue of legal empowerment of the poor and address this issue in the Yearbook as a means to initiate discussion on the topic of the will of the government to provide broadly based and fair access to key governance and state functions, and the issue of exclusion of the poor from the political, legal and institutional functions and services that directly affect their economic well-being. This aspect of the poverty challenge may be, according to the Commission, as important as provision of education and health care, infrastructure, or improved social equity, but it has not been given sufficient attention by governments or by the international development community. Based on experiences around the world, broadening access to functioning property rights can be an important part of successful poverty reduction.

In 2002 the UN Committee on Economic, Social and Cultural Rights adopted General Comment No. 15 on the Right to Water. The right to water is binding upon almost all States by virtue of their ratification of the International Covenant on Economic, Social and Cultural Rights (ICESCR) and/or other human rights treaties that include specific obligations to ensure access to specific groups, such as women and children. The ICESCR recognizes the right to an adequate standard of living, and therefore implicitly recognizes the right to water for personal and domestic uses, as recognized by the General Comment No. 15. Nepal's position on this general comment is unclear.

It is therefore suggested that the Human Rights Yearbook could include specific chapters on the right to water in a Nepalese context. This could include:

- Outlining the scope and content of the legal definition of the human right to water and its relationship to other civil, cultural, economic, political, and social rights.
- Discussion of the right to water as a human right, and examination of its implications on the roles and responsibilities of various stakeholders in Nepal.
- Consideration of the contribution the right to water can make towards making drinking-water a reality for all in Nepal.
- Explore a human rights-based approach to water in Nepal.

INSEC also have a unit tracking Nepal's implementation of treaties. Currently, tracking of the implementation of environmental conventions, treaties and other obligations are not included in the work of the unit. This could relatively easily be included in INSEC's work.

The development of hydropower is a key resource for Nepal. Development of hydropower can cause substantial conflicts with local stakeholders that need to be addressed. In 2000 the World Commission on Dams released its' report. The Commission's proposed framework for decision-making for hydropower is based on five core values - equity, sustainability, efficiency, participatory decision-making and accountability. It proposed a rights-and-risks approach as a practical and principled basis for identifying all legitimate stakeholders in negotiating development choices and agreements. Furthermore, the Commission proposed seven strategic priorities and corresponding policy principles for water and energy resources development: gaining public acceptance, comprehensive options assessment, addressing existing dams, sustaining rivers and livelihoods, recognizing entitlements and sharing benefits, ensuring compliance, and sharing rivers for peace, development and security.

INSEC could take up the issue of a rights- and risks approach to address the issue of identifying relevant stakeholders. Recognition of rights and assessment of risks is the basis for identification and inclusion of adversely affected stakeholders in joint negotiations on mitigation, resettlement and development-related decision-making. Adversely affected people should be recognized as first among the beneficiaries of the project. Winrock could be a potential collaborating partner in this endeavor since Winrock has taken up the issue of benefit sharing.

Finally, the time seems ripe to start addressing environmental and natural resource issues through a rights-based approach in Nepal. There is a need to increase awareness and educate stakeholders on environment-related issues. Currently there is little material available in Nepal on development, environment and human rights. There are NGOs and other groups currently working on issues related to land and water rights and there is a need to bring them together to initiate a broader discussion on these issues. INSEC could play a facilitating role in this providing key stakeholders (representatives from ministries, planning commission, concerned committees in Parliament, universities, NGOs, media, Nepal Forum of Environmental Journalists, etc.) a platform to initiate a public dialogue on rights and environmental issues. Engaging political leaders will be of key importance since Nepal is a highly politicized society.

Recommendations

The issue of legal empowerment of Nepal's poor is of key importance to Nepal's development. INSEC should carefully consider taking up aspects of the work of the Commission on Legal Empowerment of the Poor and addressing these in subsequent Yearbooks.

- *The Embassy could facilitate cooperation between INSEC and the Commission on Legal Empowerment of the Poor through the Ministry of Foreign Affairs in Oslo and specifically encourage INSEC to consider access rights to natural resources and environmental rights as key cooperation issues.*

In the Action Plan it is stated that Norway should work to secure all people the right to water and promote acceptance of the principle that water resources are a common good.

- *It is therefore proposed that the Embassy initiates discussions with INSEC on including in the Human Rights Yearbook the issue of the right to water in Nepal as a contribution to addressing Nepal's implementation of General Comment no. 15 on the Human Right to Water.*

The Embassy should explore possibilities to strengthen the focus on economic, social and cultural rights in INSEC's work by:

- *Ensuring that the issue of the rights of stakeholders is considered in hydropower development.*
- *Organize a seminar on economic, social and cultural rights as a starting point for initiating a broad-based dialogue in Nepal.*
- *Bring up the issue of economic, social and cultural rights in the Embassy's overall dialogue with Nepal.*

2.4 NPL- 01/811 Decentralised Local Governance Support Program (DLGSP)

Goals and Activities

The goal of the program is to strengthen effective participation of people in local governance process ensuring improved access to socio-economic services by rural poor, particularly dalits, women and other Disadvantaged Groups.

The specific objectives are:

1. To uplift the socio-economic status of the rural poor particularly Dalits, women and other Disadvantaged Groups through social mobilization based village development program incorporating positive discrimination;
2. To strengthen the efficiency and capacity of the Local Bodies (DDCs and VDCs) to deliver basic services through decentralized governance as envisaged in Local Self Governance Act;
3. To support HMG/N in preparing and implementing necessary Acts, policies and guidelines on decentralized governance and poverty alleviation.

The Ministry of Local Development (MLD) is the implementing agency of DLGSP. UNDP and Norway are jointly supporting the program.

Environment-related Activities Included

Through the project support is provided for a number of social services, livelihood strengthening activities and provision of infrastructure. A social mobilizer helps local communities to organize VDCs which prepares a village development program prioritizing actions. This development program is considered for funding by the Local Development Fund. Environment-related activities are key investment priorities and a number of actions have been implemented.

The program focuses on key issue related to environmental governance through enhancing the demand side of governance by mobilizing people, in particular disadvantaged people, and strengthening their voice and participation in decision-making processes.

Assessment of Scope for Integration

In the project no provisions for "do no harm" have been included. The project supports smaller infrastructure measures and these could cause local environmental and social impacts, e.g. soil erosion, changes in water regime, pollution, ecosystem fragmentation, access to vulnerable resources. In order to integrate environmental considerations effectively into DLGSP-supported interventions, it is essential to incorporate EA procedures into the project cycle. Therefore, a modality for integration of EA procedures could have been devel-

oped for the program. A way forward could be to prepare a checklist to ensure that potential impacts are considered by the LDFs when making funding decisions.

The local level governance activities carry a huge potential for supporting environment related activities. The use of natural resources like land, forests and water is a daily necessity for rural people. The good or bad governance of these have direct impact on the livelihoods. Experience shows that villages with experience from organizing user groups related to e.g. community forests or irrigation systems, have developed experience in organizing themselves for utilization of the resource. This has also increased the level of social capital in those villages. This experience is a good entry point for organizing communities around new types of services.

The DLGSP program can enhance the focus on environment in a number of ways without changing the principle of local self-determination of the development activities to be undertaken. The approaches to this can be categorized in two groups; the “do no harm” or environmental safeguard considerations, and the “do good” components. The level of awareness among social mobilizers, involved government officers and program level advisers on environment has not been high. The training they have undergone have focused more on the technical aspects of implementing the programs prioritized by the DDCs. Many activities have environmental impacts, e.g. road and trail construction may cause erosion and landslides; stone quarries for school construction also often causes erosion problems. Dams for irrigation or micro-hydro schemes also have environmental consequences. Training project and involved government staff in detecting and mitigating such consequences will help ensure that the selected development activities are not harmful to the environment. Encouraging environment safeguarding principles in the decision making procedures of the LIDO would also be a pertinent, e.g. regulations on the need to document plans for environmentally safe road construction, safe sites for stones and gravel for schools and dispensaries etc.

In order to ensure more focus on environment, the selected social mobilization and local development activities may be focused more on activities with direct positive effects on the environment, while in many cases also providing economic opportunities and livelihood improvement. Mobilization around forest plantation, forest management, rangeland management, irrigation systems are all examples of activities with a direct positive environmental impact, while also holding the potential to develop governance experiences and build social capital. The same is the case for organizing credit lines for farmers around improvement in farming systems like e.g. the use of agro forestry options and stall feeding of animals. Also activities to reduce landslides and erosion risks are well suited for the same purpose. All of these have a direct economic potential or risk reducing potential that will help secure the local livelihoods. To enhance the focus on these options for communities in their planning processes for the use of program funds, training of program staff and involved government officers would need to be undertaken, so that they can properly explain the benefits to the community and properly assist in their implementation.

The organization around forest user groups has gained a special role in Nepal. One is its suitability for promoting local organization and its role in training elected bodies in transparent decision making. The most important reason may be that it is in many communities the only source of funding outside the VDC grant system. The prestige of being in the forest user group has therefore become high. The cash flow from the forest has also increasingly become an important factor in the community development processes.

In HIV/Aids training awareness raising on the importance of hygiene and water supply could be included. Immuno-compromised people are highly susceptible to all manner of water-and-sanitation-related illness. Improved health and nutrition reduce susceptibility to/severity of HIV/AIDS and other major diseases.

Recommendations

- *The Embassy should in its further dialogue with UNDP focus on the need to develop environmental checklists covering the key infrastructure investment sectors. In order to integrate environmental considerations effectively into DLGSP interventions, it is essential to incorporate environmental procedures into the project cycle. Therefore, a modality for integration of environmental procedures should be developed for the next phase of the program.*
- *In designing the next phase of this program environmental objectives could be included, primarily since this program helps to improve the environment through priority investment actions, strengthens natural resource management building on successful community forest user group, provides essential services, e.g. water supply and irrigation and strengthens governance at the local level. This will not distract from the main overall objective, i.e. improving local governance, but rather complement and increase the focus on natural resources management as an entry point for good governance.*
- *Social mobilizers and involved government and project staff should be provided with training on environmental issues as a means to sensitize local bodies.*
- *A good entry point for the next phase of the program is to build on existing user groups related to e.g. community forests or irrigation systems, since this has been proven to increase social capital.*
- *Hygiene education could be included in HIV/Aids training.*

2.5 NPL - 06/015 ESAP (Energy Sector Assistance Program) II

Goals and Activities

The overall objective of ESAP II is to improve the living conditions of the rural population by enhancing their access and affordability to rural energy solutions that are efficient, environment-friendly and socially justifiable.

ESAP II builds on the results and lessons learned of Phase I and it is designed with three components as follows:

- a. Institutional Strengthening of the Rural Energy Sector: The objective of the component is to promote coherence and coordination of policies for rural energy supply.
- b. Rural Energy Investment: Rural Energy Fund (REF): The objective of the component is to promote access to and affordability of renewable energy solutions in rural areas.
- c. Technical Assistance: The objective of the component is to provide technical support for the development and implementation of renewable rural energy solutions.

The project is implemented by Alternative Energy Promotion Centre (AEPC). Danida also supports the Program.

Environment-related Activities Included

The program is clearly “do good” in terms of reductions in fossil fuel use, reduced use of biomass, reduced emissions of greenhouse gases and improved indoor air quality. In the project documentation no assessment of the potential environmental, including potential to use the Clean Development Mechanism (CDM), and health benefits has been presented. Through the suggested activities considerable positive environmental and health impacts can be anticipated.

The ESAP II project can be classified as environment related since it is in line with the thematic priority “Climate change and access to clean energy” in the Action Plan. The project addresses the following priorities in the Action Plan:

- provide assistance for energy resource mapping, analyses of energy use, development of regulatory frameworks and system design with respect to the most promising renewable sources of energy
- support the development and use of renewable energy, including biomass, wind and solar energy
- support the development of small power plants in conjunction with solutions that address water supplies, flood mitigation and agricultural irrigation
- support measures to reduce the negative health effects resulting from the use of biomass for household energy purposes.

Assessment of Scope for Integration

ESAP II has clear “do good” components. However, the “do no harm” aspects are not adequately addressed. The project involves construction of micro hydropower plants which can cause environmental impacts and consequences for other water users, especially at the cumulative level. Furthermore, handling of disposed batteries is an environmental issue in the solar component. The latter is acknowledged in the project documentation. ESAP II has not been subject to an EIA at the program level. Through such an assessment environmental assessment procedures for micro hydropower, as well as the battery waste issue, could have been established and reviewed as part of the appraisal. In the Team’s view the ESAP II-program should have been subject to a partial EIA at the program level, even though the individual projects might not by themselves require an EIA.

AEPC has prepared guidelines for preliminary and detailed feasibility studies for micro hydro projects. Potential environmental impacts are considered at a superficial level. The issues that are subject to studies are landslide exposure risk and flood exposure risk, possible erosion damage and other environmental problems. There is a need to revisit the guidelines and strengthen the assessment of environmental factors to better reflect potential environmental impacts (reduction in water flows, downstream interest, impacts on fish, hindrance of fish passage, drainage of wetlands, loss of biodiversity, changes in groundwater, etc.). According to AEPC, environmental assessment is undertaken for all projects, however, it is unclear what issues are assessed and if the assessment goes beyond the design guidelines. It was stated that AEPC also considered potential cumulative impacts of the siting of several plants on the same water course. Therefore there seems to be a need for the Embassy to ask for clarification of how environmental issues linked to the program are addressed. The environmental procedures used by AEPC should be clearly documented.

Failure to effectively address increasingly severe weather patterns and climate variability into the supported activities could also be a major threat. Climate proofing of the program should therefore be considered.

The project involves a component on improved cooking stoves without addressing the issue of sustainable harvesting of biomass. Through the project households are primarily provided with information on the benefits of using improved cooking stoves. No hardware support is provided. It seems therefore natural that the issue of biomass is not considered as part of the project. However, the project should make an attempt to link up with other ongoing projects addressing the issue of sustainable use of biomass, if there are any. The Embassy could consider taking up the issue in its dialogue with the government of Nepal.

Recommendations

The Embassy should in a dialogue with AEPC clarify the “do no harm” issues:

- *AEPC should be asked to document the specific environmental guidelines used in the project and specify how environmental issues are dealt with in the decision-making process (support to micro-hydro).*
- *The environmental benefits of the project should preferably be established, including reduction in emissions of greenhouse gases. Maybe this could be undertaken as part of the mid-term review.*
- *The Embassy in cooperation with other development partners supporting ESAP II should consider the need to prepare a partial environmental impact assessment of the program. If continuation/extension of the program is discussed this should be a prerequisite for continued Norwegian support.*
- *The total CDM potential for the program could also be assessed.*
- *The Embassy could initiate a dialogue with Nepal on opportunities to support sustainable production of biomass.*
- *In Annual Meetings environment should preferably be a specific agenda item.*
- *This project should be classified as a project with policy marker environment code 2: Main objective.*

2.6 NPL - 07/006 Nepal Peace Trust fund

Goals and Activities

The overall objective of the Peace Fund is to support the successful implementation of the Comprehensive Peace Agreement between the Government and the Communist Party of Nepal (Maoist).

The Peace Fund provides a mechanism to channel and coordinate resources in its five areas of work:

- Management of Camps and Reintegration of Former Combatants
- Rehabilitation of Internally Displaced People
- Election of Constituent Assembly
- Strengthening of Law and Order and Police Administration
- Support to the Peace Process

50% of the Norwegian grant is earmarked for the management of camps and reintegration activities.

Environment-related Activities Included

The Government is responsible for providing foods, temporary shelters (tents), electricity, roads, water supply, telephones and sanitation facilities to camps.

In the PD it is stated that: ...”The establishing and running of the Maoist camps might have an impact on the local environment. The Embassy has been informed that the Maoists in some of the camps have entered into MoU’s with local forestry user groups regarding the use of the community forests, but there is still a risk of deforestation and overuse of natural resources in some localities. Furthermore, when 5 - 7000 persons are gathered on a small area for a relatively long time, as is the case with the camps, this becomes a challenge to sanitation and drinking water supplies. Combined with the monsoon and warmer weather in the coming months, this is a health risk both for the camp population as well as the neighboring local communities. The Embassy’s earmarking to the Management of Cantonments will hopefully contribute to the establishment of sustainable infrastructure in order to prevent epidemic outbreaks related to water and sanitation. In the other key areas, the Embassy does not consider the environmental aspects of significant relevance/importance.”

The description of potential environmental issues in the PD is a good example of how environment can be addressed.

Assessment of Scope for Integration

The main scope for integration of environment seems to be primarily within the two first activity areas, i.e. management of camps and reintegration of former combatants and rehabilitation of internally displaced people. 7 camps have been established and there are no plans to establish new camps. Issues of relevance in the operation of camps and in the integration of IDPs are:

- Environmental impacts of provision of infrastructure and services to the camps, e.g. roads, water supply, sanitation, food, fuel wood – need to undertake “do no harm” interventions.
- Take actions to reduce pressure on natural resources or vulnerable areas in the vicinity of the camps, e.g. resources for construction (such as timber or wood, bricks etc.).
- Action to address water pollution, handling of waste, drainage and unhealthy conditions in camps.
- Encourage co-operation with local communities on common environmental management issues (forestry).
- Promote tree planting as a compensation measure for felling of trees to construction of camps and use fuel wood – plant five trees pr. tree felled.
- Establishing and managing joint “Peace parks”.
- Encouraging open access to environmental information and transparency of decision making processes regarding management of camps.
- Implement environmental education programs for combatants and IDPs.
- Promote working for food programs aimed at improving the environment, e.g. watershed management, construction of check dams, slope stabilization measures, removal of alien plant and tree species, etc.
- Development of income generating option based on sustainable utilization of natural resources combatants and IDPs.

A key issue related to the operation of the camps is the decommissioning of camps. The intention is that these camps should be evacuated after the election. However, in some areas the infrastructure provided to the camps will make it attractive for people to settle there. A strategy for how this issue will be dealt with should be prepared.

Strengthening of law and order could potentially address some of the issues related to economic, social and cultural rights as mentioned in the comments on the INSEC-implemented Human Rights Yearbook. Unclear property rights and land tenure system are a major source of conflict between local stakeholders. Furthermore, issues linked to environmental crime, i.e. illegal logging, poaching etc., could also be taken up. Issues linked to illegal trade of timber, e.g. red sandalwood, wildlife etc. could also be addressed.

Recommendations

- *It is recommended that the Embassy through the Donor Advisory Group brings up some of the issues mentioned above at relevant meetings.*
- *Furthermore the Embassy may request specific reporting on the environmental performance of the camps and how potentially negative impacts on the environment and natural resources from the management of the camps are addressed.*

- *The Embassy should address the issue of decommissioning of the camps which should include restoration of lands, alternatively permanent use of the camp areas for settlements through encouraging the preparation of a strategy – exit strategy.*
- *The Embassy could consider including issues linked to environmental crime, e.g. illegal logging and poaching, in the dialogue.*
- *Issues linked to illegal trade of natural resources may also be considered.*

2.7 NPL- 05/017 Irrigation and Rural Electrification, Butwal Power Company

Goals and Activities

Two projects are proposed for grant funding in the context of the Butwal Power Company's (BPC) hydro schemes "Jhimruk" 12 MW and "Andhi Khola" 5 MW.

JHIMRUK DOWNSTREAM MITIGATION PROJECT

The Goal of the project is: Increased access of the target population to economic and social activities, leading to a balanced socio-economic growth and wellbeing in a sustainable manner.

The Purpose is: Impact of water diversion in the Jhimruk downstream area is mitigated.

The Outputs to achieve the purpose are: Improved irrigation system, reversed loss of income caused by water diversion, and established sources of alternative income; improved sanitary environment; and finally, an appropriate management system to implement the project and sustain the improvements.

RURAL ELECTRIFICATION AND EXPANSION PROJECT

The Goal of the project is: People use electricity to improve comfortable living and to enhance socio-economic activities.

The Purpose is: All users in the project area are connected to BPC's clean energy supply, and are aware of how to use electricity wisely.

A number of outputs are defined to contribute to achieving the purpose: Transmission line capacity is upgraded; subsidiary transmission lines are upgraded to 11 kV; all users are connected to the grid; and an appropriate management system to build operate and maintain the systems are in place.

Environment-related Activities Included

The Jhimruk component has specific environment-related activities included in Output 3: Improvement in the environment as a mitigating measure of the impact of water diversion ensured. This includes support to latrine construction, improving drinking water supply (17 existing schemes require rehabilitation, and 5 new schemes are to be built). Furthermore, the project included rehabilitation of irrigation systems.

In this project BPC commits to undertake activities which are over and beyond their legal obligations. However, the project aims to mitigate impacts directly caused by hydropower development and one could therefore argue that systems had been put in place to address these issues earlier.

The rural electrification component does not include specific environmental components except for the preparation of an Initial Environmental Examination (IEE) for all transmission above 33 kV.

Assessment of Scope for Integration

The Jhimruk project does not address the main cause of the environmental problems created by the project, namely the construction of the dam and the resulting loss in water flow which has negatively affected the livelihood of people downstream. Possibilities to reduce these impacts by assessing the potential for restoring the river flow, fish passage etc. should have been included in the project. Creative solutions can be found which could alleviate the environmental problems, improve livelihoods without causing reduction in hydropower production. Preferably such a study should have been included in the project and should be considered as part of the Inception Phase.

Due to inter-basin water diversion, farmers in downstream areas have lost the early paddy crop. In overall terms, it is this economic loss that requires mitigation at different levels. Other impacts of water diversion are on sanitation and hygiene. The irrigation scheme aims to restore the environment, however, no information is provided on which aspects of the environment will be restored. Furthermore, there is less water to “flush the public toilets”, and as a consequence more pollution of the river as a source of drinking water.

The transmission line component includes the preparation of an IEE. The appraisal does not address how replaced conductors, fixtures, transformers and insulators will be disposed which should be addressed in the IEE. Transformers could contain hazardous waste. According to BPC these issues will be addressed, however, no documentation is provided to that effect. Overall, there is a need to ensure that this project does not “do harm” and the appropriate tool for this assessment is the IEE and the internal environmental procedures of BPC.

Rural electrification has some limited environmental impact but overall negative environmental impacts are expected to be limited. There is some discussion concerning positive environmental impact of rural electrification – in this event electricity will mostly replace kerosene for lighting with important positive effects for indoor air quality but limited general environmental importance. If and when electricity is used for cooking, then a certain positive effect of reduced consumption of wood could be expected.

Upstream watershed management has not been included in the Jhimruk proposal. BPC could consider if watershed management efforts are needed to reduce sediment loads and to improve fish passage.

Sustainability of income generating activities is also a key issue. Furthermore, there is a need to ensure that the proposed income generating activities take environment and natural resources management into account.

Recommendations

The appraisal report does not include any specific assessment of environmental issues, nor the need to undertake environmental appraisal of the transmission line component (gender is not addressed either as a cross-cutting issue, however it is addressed in the AD). Preparation of an IEE is included in the LFA for the project but not discussed in the appraisal report.

- *The Embassy should ask BPC to clarify the following issues in the Inception Report:*

- *Whether an IEE has been undertaken for the project and if the IEE's findings and recommendations are being implemented.*
- *BPC's environmental procedures to handle waste from replacement of equipment, potential reuse etc.*
- *Outcome of the study on livelihood and income generation activities.*
- *Potential environmental and natural resources management implications of the income generation activities.*
- *Potential for restoring aquatic life in areas affected by hydropower development as an alternative to compensation.*
- *Potential and need for upstream watershed management, including possible future impacts of climate change and natural hazards.*
- *Options for management system to sustain the supported activities.*
- *The Embassy should facilitate transfer of lessons from the Palati pilot plant project in Khimti where local species are used for fish farming to the Jhimruk livelihood component. Sediment-cleaned tail water from the hydropower plant can be used for production of fingerling for fish farming based on local species.*
- *This project should be classified as a project with policy marker environment code 1: Significant objective.*

2.8 NPL- 06/010 Training Community Based Electrification

Goals and Activities

The goal of the proposed project is to promote and support the equitable distribution of hydropower to rural households in Nepal. The specific objective is to expand access to electricity in rural Nepal by promoting and supporting community management of the construction, operation and ownership of rural distribution systems.

During the two-year project period, 2006 to 2008, fifty thousand new households will have access to electricity through community-based rural electrification.

Winrock, the implementing agency, will carry out the following activities to support community-based RE:

- Support the government to develop a workable institutional mechanism to respond to the large demand for community based rural electrification.
- Support technical capacity building of Rural Electrification Entities through the National Association of Community Electricity Users-Nepal (NACEUN)
- Demonstrate through pilots the functioning of micro-finance and pro-poor tariff structures for achieving universal access within coverage areas.
- Demonstrate through pilots the expansion of productive end uses in community electrified areas

Environment-related Activities Included

The project can be classified as "do good", primarily since it provides electricity to households contributing to reduced use of kerosene for lighting. Furthermore, the project provides assistance to REEs to promote conversion of existing fossil fuel or fuel wood-based enterprises to electricity based enterprises.

Since the project is rather small the total reductions in emissions are small, however, the improvement in indoor air quality could be significant for some households.

Assessment of Scope for Integration

In the training Winrock is providing no “do no harm” training is provided. Environmental issues related to construction of transmission lines should be included in training on construction standards.

It will also be important to ensure that environment issues associated with rural electrification are appropriately included in policies, acts and regulations that will be developed for the rural energy sector. Since Winrock is playing a key facilitating role in this they should be encouraged to consider this.

This project supports the following clean energy priority actions in the Action Plan:

- provide assistance for energy resource mapping, analyses of energy use, development of regulatory frameworks and system design with respect to the most promising renewable sources of energy
- support the development and use of renewable energy, including biomass, wind and solar energy
- support measures to reduce the negative health effects resulting from the use of biomass for household energy purposes

Recommendations

- *The Embassy should encourage Winrock to include relevant environmental issues to ensure that the project is not doing harm. Training on construction standards could be expanded.*
- *“Do no harm” issues should be addressed in the development of national policies, laws and regulations.*
- *This project could be classified as a project with policy marker environment code 1: Significant objective - even though the immediate environmental benefits are limited due to the small scope of the project.*

2.9 NPL- 06/018 Hydro Lab. Phase II

Goals and Activities

The Goal of the Project is to contribute to sustainable development of water resources in Nepal for the benefit of the Nepalese people.

The Purpose of the Project is to support Hydro Lab so it will become a centre of excellence in water resources development in steep sediment-loaded rivers with focus on hydraulics and sediments.

Sub-component objectives:

- Strengthen and upgrade the capability of the hydraulic laboratory to serve the need for physical hydraulic model studies of water resources projects in Nepal.
- Strengthen and upgrade a technically capable sediment laboratory for providing services to sediment related studies and research in the field of water resources development.
- Enhance Hydro Lab’s capability for the field study and instrumentation regarding flow, turbine efficiency and sediment measurement.
- Train and develop required skill of the staff to perform the research activities in a professional manner.
- Develop technical and research management competency through transfer of know how and technology.
- Establish professional and research cooperation among the institutions.

- Enhance knowledge in the design and operation of headworks in steep sediment loaded rivers.
- Establish a database required for the optimum sediment handling in RoR hydropower plants.
- Assist small hydropower promoters/developers to build confidence on the design of headworks structures.
- Share the acquired knowledge and experience for the benefit of the water resources projects in Nepal.
- Identify and initiate potential research projects for the improvement of the performance of water resources projects.

Environment-related Activities Included

Most of Hydro Lab's activities are environment related. Through capacity building and development of appropriate technology the project will support future development of Nepal's water resources.

Assessment of Scope for Integration

Hydro Lab carries out research and development activities designed to benefit the water resources and hydropower sectors of Nepal. Hydro Lab, established in 1998, is a result of the collective efforts from the owners, the staff, the cooperating institutions (ICH and NTNU), the clients and the support from Norad/Norwegian Embassy.

Hydro Lab has developed skills and expertise to carry out physical hydraulic model studies, hydrology and sediment studies as well as efficiency and other hydraulic tests at hydropower plants. The sustainability of the institution is still problematic and Hydro Lab has been relying upon donor support.

Hydro Lab has developed a vision to become a centre of excellence in water resources development in steep sediment-loaded rivers with focus on hydraulics and sediments. It could be argued that this is a rather narrow mandate and contribution to sustainable development of water resources (as stated in the objectives). The mandate does not address other issues like watershed management, hydrology and bio-physical issues. Sustainability of Hydro Lab could be enhanced through broadening of the scope of its' work, as suggested in the AD. A strong case could be made that Hydro Lab should consider engaging in research activities linked to watershed management aimed at reducing the future load of sediments to hydropower plants.

Recommendations

The vision of Hydro Lab has been decided by its owners and therefore it is difficult to propose changes to the vision statement.

- *The Embassy may in its dialogue address the issue of the need to enhance the scope of Hydro Lab's activities to include more emphasis on watershed management, hydrology and assessment of bio-physical issues in water resources development to ensure long term sustainability of Hydro Lab.*
- *This project should be classified as a project with policy marker environment code 2: Main objective.*

3. GENERAL OBSERVATIONS AND GUIDANCE FOR FUTURE WORK

3.1 General Observations of the Portfolio Review

Based on the review the following general observations can be provided:

- **Current portfolio.** The three priority sectors for Norwegian development cooperation are education, energy and governance. There are environmental elements in several of the projects supported.
- **“Do no harm” not adequately addressed.** From the documentation provided it is not clear whether any of the supported projects have been subject to environmental impact assessment (EIA) prepared by the project proponents. Whether assessment of the need to prepare EIAs has been undertaken or not does not come out clearly in the provided documentation. The Embassy should in line with the Action Plan consider including this specifically in the Appropriation Documents (ADs) and to follow the procedure outlined in the new Annex to the Development Cooperation Manual (draft presented in Annex II of this report).
- **EIA is lacking for some programs.** Questions could be raised whether some of the programs in the energy sector supported by the Embassy should have been subject to, at least, a partial EIA. This is not clearly documented in the ADs.
- **Include environment actively in policy and project dialogue with the Government of Nepal.** In discussions on Nepal’s poverty reduction strategy the Embassy should address the poverty – environment nexus.
- **Use of policy markers.** Several of projects in the Embassy’s portfolio can, in accordance with the action plan, be classified as environment-related and given policy marker environment, either 2 – primary objective or 1 – significant objective. Overall, the Team finds that the Embassy is supporting several projects supporting the overall objective of the Action Plan.
- **Format for ADs varies.** Environment is not addressed adequately as part of the discussion on sustainability in some ADs. The Embassy has developed a standard format for ADs; however, it could be clearer how all sustainability elements are considered in the ADs. This would not compel the Embassy to discuss environment in detail in all ADs, but it will help ensure that it has been considered and strengthen documentation of the assessment of sustainability issues.
- **Address environmental issues in Annual Meetings (AMs).** The review clearly documents the scope to integrate environmental concerns in current agreements. The primary vehicle for this is normal policy dialogue through the AMs. The Embassy could request specific information on the various ‘do good’ and ‘do no harm’ components.
- **Use window of opportunities actively.** Nepal is a fragile country and the peace process is complicated, fragile and unpredictable. This requires a lot of attention and resources from the Embassy’s side. The Embassy should in its monitoring of the situation assess the potential for bringing environmental issues into the discussion when window of opportunities arise. Environmental issues are closely linked to and is perceived as a cause of the ongoing conflict.
- **Use program management cycle to do what we do better.**

Overall, the review has demonstrated that there is significant scope to address/integrate appropriate environmental concerns in the current agreements within present framework and budgets, and for possible future phases of the various programs. There is considerable scope to increase Norwegian environment-related development cooperation with Nepal without developing a specific environment sector program through more active integration of environment in the various phases of the program management cycle. Other Embassies

should consider to undertake a similar exercise based on the experiences of the Embassy in Kathmandu.

3.2 Guidance for Future Work with Mainstreaming

Most Embassies are not staffed with environmental expertise and need guidance how to strengthen the environmental component of the development cooperation portfolio. The Action Plan for Environment in Development Cooperation, launched in June 2006, offers specific policy advice. The Ministry of Foreign Affairs is preparing a new annex to the Development Cooperation Manual giving additional guidance to assessment of environmental sustainability (a draft is included in Annex II) which offers additional guidance. Below some of the guidance given in these documents is presented.

3.2.1 Action Plan for Environment in Development Cooperation

The Norwegian Action Plan for Environment in Development Cooperation was presented in June 2006. The Government's aim is for Norway to play a leading role in making environmental concerns an integral part of all development cooperation. The ultimate goal of Norway's efforts is for developing countries to acquire the capacity and competence necessary to safeguard their right to a clean environment and the ability to manage their natural resources in a sustainable manner. The action plan sets the direction for Norway's efforts for the next ten years.

The Action Plan sets out specific priorities for Norwegian development cooperation and stresses the fact that environmental issues should be on the agenda in our dialogue with development partners and cooperation countries. For the Embassies the main implications are:

- Embassies need to put environmental issues actively on the agenda in bilateral dialogues with a view to intensifying common efforts to address the environmental problems facing the partner countries and to protect global natural resources for future generations.
- Promote the integration of environment and sustainable development into recipient countries' strategies, plans and budgets. National poverty reduction strategies will be of central importance.
- Actively follow up donor coordination on environmental issues.
- Promote cooperation between public and civil society actors at the country level.
- Give priority to selected areas in order to focus its environmental efforts and promote donor coordination. The Action Plan sets out four priority thematic areas and the main efforts will be directed towards the first priority area:
 - sustainable management of biological diversity and natural resources
 - water resources management, water and sanitation
 - climate change and access to clean energy
 - hazardous substances
- Focus on competence-building with institutional cooperation and research and education as important elements, and improved environmental management.
- Strengthen national and local environmental and natural resources management as part of general cooperation on good governance.
- Environmental concerns must be taken into account in all development cooperation. Potential impacts on the environment must be assessed, and proposals aimed at reducing adverse effects must be integrated into all measures. Norway has an obligation to ensure that assessments of environmental and social impacts are carried out in connection with the use of Norwegian development cooperation funds. The responsibility for conducting such assessments lies with the recipient.

- Furthermore, it should be considered whether it is possible to integrate components that are beneficial to the environment into the measures or add them as supplements to sector programs.
- Embassies should report on these matters by including a separate section on their environmental efforts in their performance reports. This should focus particularly on measures designed to strengthen the recipient country's own environmental management capacity and on the effect they are having. The embassies should also report what environmental assessments have been carried out.

3.2.2 Guidance to Assess the Need for Environmental Assessment

The Ministry of Foreign Affairs is preparing a new annex to the Development Cooperation Manual giving additional guidance to assessment of environmental sustainability (a draft is included in Annex II). The Annex provides a set of guiding questions that should be used when assessing program and projects. The Embassy should use these questions as a starting point for identifying mainstreaming options. Will the program:

- Use natural resources in ways that will pre-empt the use or potential future use of those resources for any other purpose?
- Be located in, and potentially, affect any environmentally sensitive areas such as National Parks and other protected areas, important archaeological and cultural sites, vulnerable ecosystems which provide important ecosystem services or with species threatened by extinction?
- Cause soil, water or air pollution, soil erosion, climate change, and are the potential direct and indirect impacts likely to be of minor or, of major significance, and not easily mitigated?
- Result in policy initiatives which may affect the environment such as changes in agricultural, water, energy and transport policies?
- Lead to occupational health and safety risks?

These questions can be supplemented by the following generic questions that can be used to guide discussions on how to enhance environmental mainstreaming:

1. What are the key environmental issues affecting sector performance?

A number of environmental factors may influence the sector activities and outcomes and these should be taken into account when developing the program. The following guiding questions should help identify these factors:

- a) Do the problems in the sector have environmental causes, and which are they?
- b) Are sector activities or infrastructure particularly vulnerable to natural disasters or to climate change? (e.g. flooding and mudslides causing damage to roads and thus affecting trade).
- c) Do sector activities depend significantly on the availability of natural resources? (If the sector depend on environmental resources (such as water, land, mineral, biodiversity components), it is recommended that an assessment of whether the resources will be sustainably available at reasonable cost, with the required quality standards, is undertaken).

2. Does the Sector Program address the environmental issues identified above?

More specifically, whether:

- It addresses the environment problems affecting the sector (e.g. a Program in the health sector that aims to reduce the incidence of diarrhoea may include actions for increased water quality);
- It is adapted to the identified opportunities and constraints, or risks such as environmental disasters (e.g. infrastructure or human settlements should not be located in flooding areas);
- It includes measures or strategies in order to ensure or enhance resource sustainability (e.g. improved stoves in order to save wood resources).

3. What are the potential environmental effects of Sector Program implementation?

Determines the need to undertake environmental impact assessment – “do no harm”. See Annex II for further details.

4. Are there additional opportunities to enhance the environmental performance of the sector?

“Do good” assessment.

5. Are the institutional capacities and legal framework adequate to address the linkages between the environment and the sector?

The analysis should focus on the capacity of the legal and institutional framework to deal with the identified environmental issues, as well as the implementation of any measures identified to mitigate negative and optimize positive environmental effects, using the following checklist as guidance:

- Legal framework (e.g. regarding environmental standards, SEA, EIA);
- Environmental law enforcement;
- Institutional arrangements regarding environment integration in the sector: existence of particular structures, links with other agencies/institutions, level of decentralization;
- Capacities of these institutions;
- Public participation and role of civil society in environmental decision making and management.

6. Are the Sector Program indicators environmentally relevant and are they verifiable?

- As far as possible SMART Indicators should be used: Simple, Measurable, Achievable, Realistic, and Timebound.

3.3 Preliminary Guidance for Climate Proofing of the Portfolio

The issue of climate change warrants specific consideration in Nepal. Because of climate change, the outcome of development cooperation and investments can be undermined. By taking climate change into consideration, development cooperation can be ‘climate proofed’. This will help protect investment of scarce development resources and foster climate-friendly development. Therefore, integration of climate change concerns into planning and implementation of development cooperation is wise policy and will support Nepal in coping with climate change. According to estimates made by the World Bank about 1/3 of its loan portfolio is at risk from impacts of climate change.

Climate Proofing can be defined as actions to ensure that development efforts are protected from negative impacts of climate change, climate variability, and extreme weather events and to ensure that climate friendly development strategies are pursued to delay and reduce damages caused by climate change.

It is critical that climate change not be approached as an isolated, stand-alone issue, but rather as part and parcel of overall sustainable development efforts and integrated in to national strategies for poverty eradication through new and innovative approaches to policy formulation and implementation and partnerships with diverse stakeholders. Accordingly, interventions relating to adaptation to climate change should be considered in the context of reducing the vulnerability of the poor in maintaining sustainable livelihoods and supporting sustainable development.

Adaptation to climate change is a development issue. The impacts of climate change have a direct influence on achieving development objectives. Adaptation options are local and sector specific, and can be directly linked to the poverty reduction interventions by addressing vulnerability and management of climate change risks. Sectors that are most vulnerable to the risks of climate change and increased climate variability of relevance to Nepal are

- Poverty reduction: Social safety nets and traditional coping strategies may be disrupted by climate-related disasters at the same time as there is damage to homes, businesses and community infrastructure. Disaster prediction and preventive measures can minimize vulnerability to impacts that could increase the numbers of people experiencing disruption, displacement, poverty.
- Agriculture: influence on crop production from higher temperatures and changes in rainfall and water supply, changes of pest and disease patterns;
- Water resources and energy: GLOF (glacial lake outbursts floods), greater evaporation, changes in rainfall, changes in ground water levels, increasing water demands in warmer climate;
- Human health: greater risks of vector borne and water borne diseases, greater heat stress, and exposure to ultra-violet radiation;
- Biodiversity and natural ecosystems: greater risks of loss of vulnerable ecosystems including mountain ecosystems, increased risk of desertification and loss of biodiversity, impact on migratory species;
- Housing and other infrastructure: heavier rains and storms, water availability;
- Tourism: temperature changes, disease patterns, and water availability.

In practical terms, a number of actions exist to adjust to, or avoid the impacts of climate change. Adaptation options include:

- Protection against increased floods, construction of embankments etc.
- Strengthening primary health care as a response to changes in distribution of vector borne diseases. Planning for health care facilities will need to take into account changes in climate and weather patterns that are likely to spread heat waves and vector-borne diseases into new areas.
- Combating hunger: People relying on subsistence agriculture and natural resource harvesting (fishing, hunting, forestry) will be among those most impacted by climate variability. It is important to consider the potential for crop diversification and developing alternative income and food sources.
- Changes in design specifications and building standards to address climate change and more frequent extreme weather conditions.
- Rehabilitation of natural ecosystems, i.e. wetlands, as a barrier against violent storms and floods.
- Construction of infrastructure to stand higher level of water run-off, e.g. wider bridges and larger culverts in roads, or reduced construction demands if less precipitation is anticipated.
- Risk adjustments to address variations in crop production in agriculture, e.g. use of more robust crop varieties and access to crop insurance.
- Management of water resources in order to maintain access to water and alleviate risks of drought or protect against floods.

- Education: National disasters and climate-related stresses can interfere with the time and opportunity for focusing on improvements in educational systems. Schools and other community facilities can be used, however, to educate people about climate change, and to demonstrate and promote climate change mitigation through energy efficiency and the use of equipment, lighting and communications technologies that have low greenhouse gas emissions.
- Gender equality and women's empowerment: Since a disproportionate percentage of poor people are women, disaster planning and relief measures should take into account the particular needs and constraints that women experience, including lack of access to capital, land ownership, assets, credit, financing, and even vehicles for escape or migration. Efforts to include women in planning processes will help ensure that their concerns are recognized and addressed.

The above list indicates that the management of risks of climate change includes a range of opportunities for adaptation in development cooperation that are linked to poverty reduction. Of key concern to Nepal is the anticipated shrinkage of the Himalayan glaciers which could have many undesirable impacts. Firstly, the hydrological regime could change, with increased frequency of floods and droughts. The second impact of deglaciation, which has already been widely recognized, is the phenomena called GLOF. There is a fear that the frequency of GLOFs could be increased as a result of accelerated retreat of glaciers in the Himalaya. A GLOF event can instantaneously release a huge amount of water and debris, which, if that happens, will have enormous and devastating effects on the downstream areas. ICIMOD could assist in assessing the risk of GLOFs and subsequent threats to downstream development projects.

Below suggested questions that can be used for climate proofing (based on Danida's screening note) are presented as point of departure:

- What is the status of national climate change concerns in the sector?
- Opportunities to further address climate change concerns in sector policies, strategies and implementation?
- Adaptation:
 - Identified climate change impacts (actual and potential) in the sector?
 - Identified adaptation options in the sector?
 - Scope for 'climate proofing' and targeted adaptation support within the sector?
- Mitigation of climate change:
 - Options for support to low-carbon development paths (energy efficiency, renewable energy, technology choice)?
 - Options for protecting and enhancing carbon sinks (indirectly) in land-use and forestry?
 - Options for CDM projects in the sector?

These questions need to be developed further in order to be operational for Norwegian development cooperation.

ANNEX I: TERMS OF REFERENCE (TOR)

Terms of Reference (ToR) for Review of the Embassy's Development Assistance Portfolio Regarding Increased Focus on Environmental Aspects

1. Background

Environment is not among the priority areas for Norwegian development support to Nepal, which is Energy, mainly Hydro Power, Primary Education and Good Governance, including Human Rights. But as the present Norwegian government focuses strongly on environment and has made environment one of the five priority areas of Norwegian development cooperation the Embassy will assess the environmental focus within our development portfolio.

Nepal is one of the poorest countries in the world with a per capita income of US\$ 260. The country has been ridden by a violent conflict between Maoist insurgents and the government. But now a peace agreement has been signed, an interim constitution has been promulgated and the Maoists are set to join the government.

A country environmental analysis (CEA) has been prepared by ICIMOD (International Centre for Integrated Mountain Development) for ADB (Asian Development Bank) in 2004. Much of the following description are from that analysis.

About 18% of the land in Nepal has been demarcated as protected and conserved area, forest covers 37% of the country and 9% is covered by shrub. Fuel wood is the main source for cooking and heating, and fuel collecting has been the main cause of deforestation. Deforestation has resulted in increased landslides, soil erosions, floods, and loss of biodiversity. Nepal's average annual rate of deforestation 1.7 % is considered high due to Nepal's fragile hill ecosystem. Clearing and burning forest, draining and filling wetlands, converting natural ecosystem into agriculture land, as well as meeting the demand for fuel wood, medicine plants and animals for meat has resulted in huge losses of biodiversity. Community forestry has been a successful policy initiative in controlling land degradation

As much as 5% of the landslides are associated by newly constructed roads and trails.

The largely rural population of Nepal is still almost totally dependent on land, forest and water resources for their livelihood. As resources become depleted or degraded resources related conflicts have increased.

The major cities have experienced high rates of population growth and unmanaged urban development. Solid waste is a common environmental problem in urban areas causing substantial impact on human health. Water pollution is the most serious public health issue in Nepal. Air pollution is a serious concern in urban areas due to cars and concentration of industries. Since 1981 national and rural population growth have been rapid, and have put tremendous pressure on natural resources such as agriculture land and forest.

As human activities has increased in environmental sensitive areas like steep slopes and flood plain, population become vulnerable to natural events. What was normal yesterday becomes a natural disaster today. Although the Government has given high priority to resolving environmental problems and has formulated a comprehensive set of policies, plans and programs, their effectiveness has been below expectations. The policies has failed due to inadequate focus, on cross cutting issues, continuous intervention by political parties, inability of national advisor bodies to function properly, inability of policy institutions to implement policy and lack of resources. Key national agencies like National Planning Commission and sector ministries have not been proactive in implementing approved policies, and the Government has failed to attract the participation of the private sector.

Nepal is a signatory to 21 environment related conventions, but has only been able to ratify a few of them. The major reason is, according to ICIMOD, failure of the agencies concerned to understand the technical aspect of the subject.

Weak enforcement of environmental decisions and regulation is a serious and persistent problem. The Government is playing an increasingly active role in trying to regulate the harvesting of natural resources, and is taking

on responsibilities for which it does not have adequate resources or capacity. This limits autonomy and initiative to solve problems at local level. Law enforcement is hampered by lack of inter-agency coordination, inadequate skilled personnel, poor mechanisms of control and supervision, inefficient public administration, lengthy decision making processes, lack of coordination between the Government and NGOs, instability in the Government, lack of appropriate technology, illiteracy, and lack of mass awareness.

Loss of credibility resulted in dissolution of the Ministry of Population and Environment with environment function being moved to the Ministry for Environment, Science and Technology (MOEST).

The effect of the conflict on the environment is hard to assess. But as security forces are reassigned to conflict areas, the national parks are more vulnerable for poachers. In some areas the security forces have cleared forests that were hiding grounds for Maoists, and in some areas timber smuggling has increased, but in other it has been reduced as people are afraid of going in to the forest.

Nepal's indigenous energy resources, hydro, biomass, solar, and wind are renewable and their combined potential exceeds demand for the foreseeable future. But in reality Nepal has not been able to harness its' indigenous sources cost effective. The Norwegian supported Alternative Energy Promotion Centre (AEPC) has in cooperation with INGOs and the private sector initiated biogas plants to replace fuel wood for cooking and lighting, and improved cooking stoves has been designed to increase efficiency of firewood and reduce smoke.

2. Purpose of the review

The overall purpose of the review of the Embassy's portfolio is to identify possible ways and means of addressing/integrating appropriate environmental concerns in the current agreements within present framework and budgets, and for possible future phases of the various programs.

In addition the review team should, through organizing an internal seminar, give the Embassy updated information regarding the implementation of the government's environmental action plan with a key focus on mainstreaming and operationalization of the four priority areas in the action plan. Furthermore, the review team should provide updated information on the clean energy platform and the current thinking on climate change. Updated information on Norad's contribution to the implementation of the action plan should also be provided, as well as information on the new annex on assessment of environmental sustainability to the development co-operation manual.

3. Scope of the Review

The team should focus its review on the following projects:

PTA number and name	Agreement and implementing partner	Agreed NOK
NPL-03/814 Education for All 2004-2009	Minister of Fin (agreement) Minister of Education and Sport (implementing)	175 mill
NPL 05/015 Human Rights Yearbook 2007-2009	Informal Service Centre INSEC	6 mill
NPL-01/811 Decentralised Local Governance Support Program (DLGSP)	UNDP(agreement) Ministry of Local Development (Implementing)	45,5 mil
NPL 06/015 ESAP (Energy Sector Assistance Program) II	Minister of Fin. (agreement) Alternative Energy Promotion Centre (AEPC) (Implementing)	125 mill
NPL -07/006 Nepal Peace Trust fund	Minister of Fin. (agreement) Various ministry (implementing)	13 mill
NPL- 05/017 Irrigation and Rural Electrification, Butwal Power Company	Butwal Power Company	12.8 mill
NPL- 06/010 Training Community Based Electrification	Winrock International	0.755 mill
NPL- 06/018 Hydro lab. Phase II	Hydro lab Pvt. Ltd.	6.5 mill

The review officer will do a desk-study of the mentioned projects. Meetings with implementing partners can be held when relevant. The team is also encouraged to give brief information regarding issues to be aware of for the other agreements in the Embassy's portfolio.

4. Organization, Timetable, and Reporting

The Consultants will be in Nepal for 1 week from April 13th to April 19th. The review of the portfolio should be combined with an appraisal/review of the Embassy's cooperation with ICIMOD.

The team should be comprised of experts who have a broad background in environmental issues, experience in mainstreaming environment, familiarity with the environmental action plan and natural resources management.

The team will submit a final report in English by mid May 2007 and present a draft report upon departure. The Embassy will submit key documents to the team immediately to facilitate an initial desk study. The copyrights of all documents prepared by the team stays with the Norwegian Embassy and may be freely used by the Norwegian Embassy without payment of any form. However the team may use the document, as reference etc. in other work carried out by themselves.

Kathmandu March 27 2007

Tore Toreng
Ambassador

ANNEX II: ASSESSMENT OF ENVIRONMENTAL SUSTAINABILITY¹

Introduction

Assessment of the environmental sustainability of a development program needs to be based on an understanding of the links between development, poverty alleviation and the environment. The environmental and natural resource implications of development programs are driven to a large extent by the nature of the operation. Programs within infrastructure (hydropower, transport, water) and industrial use of natural resources, including extractive industries (mining, petroleum) normally cause the most severe environmental impacts, while social sector programs cause less impacts. The key rationale for undertaking assessment of environmental sustainability is that this will help us to identify, prevent or mitigate potential negative impacts, design better development programs and to reduce the risks. Furthermore, the assessment will assist countries in implementing international environmental conventions and obligations.

Preparatory phase:

Platform for Dialogue.

When considering the sustainability of a development program one important issue to be clarified is the environmental considerations. To find out if more information and documentation on environmental aspects are needed, an initial screening of potential environmental impacts should be carried out in the preparatory phase.

The following key questions should be considered when undertaking environmental screening. Will the program:

- Use natural resources in ways that will pre-empt the use or potential future use of those resources for any other purpose?
- Be located in, and potentially, affect any environmentally sensitive areas such as National Parks and other protected areas, important archaeological and cultural sites, vulnerable ecosystems which provide important ecosystem services or with species threatened by extinction?
- Cause soil, water or air pollution, including climate change, and are the potential direct and indirect impacts likely to be of minor or, of major significance, and not easily mitigated?
- Result in policy initiatives which may affect the environment such as changes in agricultural, water, energy and transport policies?
- Lead to occupational health and safety risks?

If the program is unlikely to cause significant adverse effects on the environment no further action is required. If environmental impacts are likely, then one has to proceed with preparation of either: i) a full (in the case of significant impacts) environmental impact assessment (EIA) or; ii) a partial EIA (impacts uncertain or smaller and more easily identified and mitigated). The EIA should be prepared in accordance with national laws and regulations. The partner is responsible for preparation of the EIA. An EIA evaluates a program's potential environmental risks and impacts in its area of influence, examines alternatives, identifies ways of improving planning, design and implementation by preventing, minimizing, mitigating or compensating for adverse environmental impacts and enhancing positive impacts. Preventive measures should be favoured over mitigating or compensatory measures, whenever feasible.

For sector-wide programs (e.g. SWAPs) with likely environmental impacts an assessment of environmental policy, regulatory, and institutional capacity is essential to gain an understanding of the country's institutional capacity strengths and challenges to address potential environmental problems. This analysis would in most cases be based on country-level analytical or diagnostic work prepared by other development partners or through Strategic Environmental Assessment (SEA). The following general set of questions can be posed as a background to further analytical work of such interventions as part of the Platform for dialogue:

¹ Draft Annex to the Development Cooperation Manual

- What are the most important challenges in a country or a region? Is there a danger of these problems getting exacerbated by ongoing reforms in the country or by the operation in question?
- Do the environmental and natural resource management institutions have the capacity to identify environmental priorities, monitor the priority environmental problems, and respond accordingly? Do these institutions have the policy framework and legislative authority to act when problems arise? Are there conflicting or unclear responsibilities across governmental organizations?

Appraisal

The Appraisal assesses the relevance, feasibility and potential risks and sustainability of a development program. If environmental impacts are identified as a critical sustainability element and a possible risk factor the Appraisal shall ascertain that all relevant questions are assessed, and if necessary, recommend that more information is provided. Together with a summary of the findings the document shall give specific recommendations of possible amendments to the program. The amendments should be reflected in a revised Program Document from the partner, if possible.

In the appraisal the relevance, completeness and quality of the environmental aspects and suggested mitigation procedures should be assessed. The assessment in the Program Document or the conclusions drawn in the review of the EIA should be summarized in the appraisal focusing on (these questions can also form the basis for including environmental issues in the *ToR for appraisal*):

- Have the key environmental issues been addressed?
- Are there significant and/or irreversible environmental impacts of the project?
- Have project alternatives (if relevant) been considered to help avoid or minimize adverse impacts?
- Are the measures proposed to be taken by the partner sufficient to address the key environmental issues?
- Have an assessment of the capacity of the partner country to plan and implement the measures described been undertaken and have the responsibility for implementing mitigation measures been defined?
- Have consultations with stakeholders, with an emphasis on potentially affected people, been adequate?
- Have indicators been developed to monitor the real environmental impacts and have monitoring systems been established?

The appraisal should provide an overall recommendation and possible amendments to these recommendations as a result of the appraisal. If the Embassy based on the appraisal makes the assessment that the environmental impacts would be unacceptable, Norwegian support should be rejected. If an EIA is carried out and considered inadequate a more extensive EIA should be requested from the program proponent. The recommendations should be discussed with the partner.

Appropriation document/Agreement

The Appropriation Document should make an assessment of the recommendations of the Appraisal and the subsequent dialogue with the partner. The document should reflect environmental risks that have been identified and measures taken to mitigate or manage the risks including follow up mechanisms. All identified risk factors and suitable measures for rectification should be reflected in the goal hierarchy or as a major risk factor regulated in the Agreed Program Summary, Annex 1 to the Agreement.

Follow-up Phase

Reports and Reviews

In the follow-up phase formal meetings, reports and reviews are important mechanisms for monitoring the progress of the program. Among issues to be assessed are risk factors identified in the Appraisal and reflected in the Agreement including assessment of environmental impacts.

Guiding questions for undertaking reviews or preparing ToR for reviews for programs with significant environmental impacts are:

- Have the key environmental issues identified in the EIA been addressed in the appraisal?
- Have any new environmental issues associated with the project arisen?

- Have the partner country allocated sufficient resources to the implementation of the EMP and have environmental covenants been complied with?
- Have adequate mechanisms for monitoring and reporting of environmental impacts been established? Is it possible to follow up and evaluate results against these indicators?
- Have the key cultural issues been addressed in the EIA or in the appraisal?
- Has the program had unforeseen negative impact for the affected people that can be attributed to lack of cultural sensitivity.

Completion Phase

Both final reports and end review should include assessment of relevant sustainability elements. The findings should be referred to in the Completion Document.

Links to Relevant Source Material

Norwegian Environmental Action Plan: tbi

World Bank's Safeguard policies: www.worldbank.org/safeguards

Equator principles (private sector guidelines): www.equator-principles.com

European Union EIA Helpdesk: www.environment-integration.org/EN/index.php

Sida: Guidelines for the Review of Environmental Impact Assessment:

www.sida.se/sida/jsp/sida.jsp?d=859

Netherlands Commission for Environmental Impact Assessment: www.eia.nl

DFID: Environmental Guide: www.dfid.gov.uk/pubs/files/environmentguide.pdf

ANNEX III: PERSONS MET

Organization	Name
Alternative Energy Promotion Centre (AEPC)	Govind Raj Pokharel, Executive Director
Butwal Power Company (BPC)	Bhola Shrestha, Deputy General Manager Surya Prasad Adhikari, Project Manager Sabala Shrestha, Sr. Socio-Economist Surendra Sapkota
Hydro Lab	Manohar Shrestha, Deputy General Manager
Informal Sector Service Centre (INSEC)	Subodh Raj Pyakurel, Chairperson
Ministry of Education and Sports	Lava Dea Awasthi, Under Secretary
Ministry of Finance	Buban Kharki, Under Secretary
Royal Norwegian Embassy Kathmandu	Tore Toreng Kikkan Haugen Margaret Myklebust Marit Strand Mette Strengenhagen Elin Gjedrem Kamla Bisht
United Nations Development Program (UNDP)	Sharad Neupane, Assistant Resident Representative Raghu Shrestha, Policy and Monitoring Advisor
Winrock International	Suman Basnet, Director

