

issues paper

THE 2009 ANNUAL REPORT ON RESULTS AND IMPACT OF IFAD OPERATIONS (ARRI)

ENVIRONMENT AND NATURAL RESOURCES MANAGEMENT

1. INTRODUCTION

1.1. In 2007, the Executive Board agreed that the Office of Evaluation (OE) should examine a selection of the weaker impact areas as reported in the Annual Report of the Results and Impact of IFAD Operations (ARRI). In December 2008, the Board agreed that environment and natural resources management (ENRM) should be one of the two areas covered in the 2009 ARRI¹.

1.2. ENRM has consistently been rated as one of the weakest impact areas in IFAD-funded projects evaluated since 2002. Over the same period, the threat posed by climate change to the natural resources on which poor rural people depend has become much more evident. IFAD has responded, and is committed to respond further, to this challenge. New Environmental and Social Assessment (ESA) Procedures were issued as a President's Bulletin in December 2008 and presented to the Board in April 2009. New elements of the ESA procedures include, amongst others, the introduction of Strategic Environment Assessments at Country Strategic Opportunities Programme (COSOP) stage, increased focus on social issues, focus on challenges such as climate change, desertification, innovative financing mechanisms such as ecosystem markets, strategic partnerships and maximizing local and global environmental opportunities. A policy on environment and natural resources, together with a climate change strategy, will be produced as a follow-up to the Eighth Replenishment of IFAD resources in the near future. The inclusion of ENRM as one of the learning themes in this year's ARRI is therefore very timely.

1.3. As in previous years, the purpose of this paper is to provide a brief overview of the issues as a basis for discussion with IFAD staff in a workshop on 27 May, and will help shape the contents of the ENRM section in the 2009 ARRI document. It will also contribute to the preparation of the policy on environment and natural resources agreed as part of the Eighth Replenishment. The paper draws on discussions with PMD and staff from the Global Mechanism; on reviews of OE evaluation reports since 2002; major ENRM evaluation reports from other development agencies; recent IFAD policies and approaches²; and country strategy and project design documents from 2008³.

2. DEFINITION AND SCOPE

2.1. According to the OE Evaluation Manual, the focus on natural resources and the environment involves assessing the extent to which a project contributes to changes in the 'protection, rehabilitation or depletion of natural resources and the environment'. This definition highlights two features.

¹ The other thematic area treated by this year's ARRI is Access to Markets. A separate issues paper has been prepared by OE on the topic.

² Middle Income Countries, Crisis Prevention and Recovery, Fragile States, Rural Finance, and Rural Enterprise.

³ Project supervision reports were not reviewed for this paper. These would have been reviewed as part of the OE evaluation studies.

2.2. The first is the sheer breadth and diversity of the impact domain. The 'environment' includes the very wide range of physical (air, water, land and the built environment) and biological (animals, plants, and microbes) conditions and circumstances that support or otherwise affect life and livelihoods⁴. 'Natural resources management' covers an equally wide range of activities and resources: water, land, fisheries, soil, rangeland, forests, wildlife, etc.

2.3. The second, and arguably unique, feature is the way in which this domain incorporates both 'avoid harm' (negative) and 'do good' (positive) agendas. Much of the environmental debate and assessment has been focussed around avoiding or mitigating the environmental damage that is associated with economic growth and development. IFAD is one of the few agencies where the positive agenda of improving natural resource management has also figured prominently. But even for IFAD, the 'avoid harm' agenda has nevertheless had a significant presence, the implications of which will be explored below.

2.4. IFAD has funded a wide range of ENRM investments. Those evaluated by OE since 2002 include improved range management; sand dune stabilisation; afforestation; forest management and rehabilitation; marine protected areas; organic farming practices; integrated pest management; soil and water conservation; land rehabilitation; and improved cooking stoves.

2.5. The increasing profile of climate change is also an issue for ENRM. In theory, climate change is merely a particularly large and significant environmental issue. But in practice, because of its high political and public profile, there is a tendency to single out climate change as a separate environmental issue, and increasingly as the environmental issue of our time. The particular challenge for IFAD, as for others, is how it should respond to climate change, and what can be learned from evaluation to guide this response. The problem is that there is currently very little specific evaluation evidence relating to adaptation and mitigation. This paper does not address climate change in any detail for this reason.

3. IFAD EVALUATION FINDINGS

3.1. Accurate data for the proportion of IFAD lending committed to ENRM is not easily found. One estimate is that almost one-third of lending is for natural resource management, much of it community-based approaches for managing common property resources⁵. Data from the Project and Portfolio Management System (PPMS) suggests a rather lower proportion. Over the period 1990 to 2008, the seven sub-components⁶ dealing most directly with ENRM issues accounted for 17% of approved costs. While it is possible that these seven sub-components understate the total ENRM contribution⁷, the total cash value of these sub-components has remained more or less constant over this period – and has therefore declined in real terms⁸ – and represents a significantly lower proportion of total project costs in the 2000-08 period (12%) than in the 1990-99 period (21%).

3.2. Evaluation findings suggest that performance does not match IFAD's substantial (but apparently declining) investment in this area. ENRM has consistently been the weakest, or one of the weakest, impact areas in each of the ARRI's since 2002. Forty-seven percent of the projects evaluated in the period 2002-2007 rated performance in this area as unsatisfactory. The draft data for this year's ARRI suggest that more than 70% of the projects evaluated in 2008 were rated as unsatisfactory for ENRM. Interpreting this, and the data from the Annual Review of Portfolio Performance (ARPP) produced by PMD (see paragraph 3.4), is complicated by the fact that not all projects have a significant environmental objective or component. However, this does not negate the overall finding that performance has been mixed, and weaker than in any of the other impact areas for which data exists for the 2002-08 period.

⁴ Some definitions also include the complex of social and cultural conditions affecting the nature of an individual or community.

⁵ IFAD and climate change. 2008. para 27.

⁶ The seven sub-component types are forestry, land improvement, soil and water conservation, pest management, fisheries/marine conservation, rangeland/pastures, and resource management/protection.

⁷ For example, strengthening land tenure security (which has been supported in a number of IFAD-funded projects) is recognized as indirectly contributing to the sustainable management of land and natural resources.

⁸ When deflated by the DAC deflator (2007=100), project costs for 2005-07 for these seven sub-components are lower than for any other three-year period since 1990.

3.3. The Independent External Evaluation (IEE) reviewed twenty projects in 2004/5. Nine of the projects had sought to conserve the environment and encourage the sustainable use of natural resources. Of these nine, impact was rated as high/substantial in four (44%) and modest/negligible in five (56%). The IEE also concluded that 'few projects have made serious attempts to grapple with the many challenges and contradictions of agricultural development, environmental conservation and the empowerment of communities'.

3.4. The three most recent ARPP's corroborate this picture of mixed performance⁹. ENRM was the poorest performing impact domain in the 2005/06 ARPP, and one of the poorest in 2007/08. While the percentage of satisfactory completion ratings has increased over this period (from 59% to 70%), it is acknowledged that ENRM is one of the areas where the impact of IFAD projects needs to improve. Reporting on environmental performance at project completion also needs improvement, as does the sustainability of Natural Resources Management (NRM) groups established by projects. 62% of NRM groups were rated moderately satisfactory or better for sustainability, compared with 80% or more for other groups.

3.5. A mixed performance picture does of course mean that there have been a significant number of successful ENRM components and projects. Some examples are given in Box 1 below. These successes have generally been in projects where ENRM issues were specifically and substantially addressed during design and implementation. This was the case in the Special Programme for Soil and Water Conservation and Agroforestry in Burkina Faso, and in the Hills Leasehold Forestry and Forage Development Project in Nepal.

Box 1: Examples of successful ENRM components and projects

- The Qinling Mountain Area Poverty Alleviation Project in China has resulted in a visible increase in forest coverage, a reduction in soil erosion due to flood control measures, and an increasing number of biogas units.
- The West Mindanao Community Initiatives Project in the Philippines contributed to the protection and rehabilitation of the environment and natural resources by creating marine protected areas and rehabilitating mangrove forests.
- The Management of Natural Resources in the Southern Highlands Project (MARENASS) in Peru succeeded in getting families and communities to reassume responsibility for ecosystem management, and also reduce the use of agrochemicals.

3.6. The weaknesses observed in projects rated as unsatisfactory for ENRM are of two types. First, there are projects where ENRM risks or opportunities were overlooked or not adequately addressed. In some cases there were classic negative environmental impacts associated with project activities: groundwater depletion, fuelwood exploitation, grazing pressure, or pesticide use. These negative impacts point to weaknesses in environmental assessment during design and supervision. In others, projects were criticised for failing to address major ENRM issues affecting long-term sustainability, such as catchment protection, cultivation on steep slopes, or forest encroachment. Box 2 provides some examples.

Box 2: ENRM risks or opportunities overlooked

- Increased fuelwood exploitation as a result of improved road access – Smallholder Development Project, Guinea
- Groundwater depletion as a result of too many new pumps – Oasis Development Project, Mauritania
- Intensive cropping with heavy fertiliser and chemical use –Ha Giang Development Project, Vietnam
- Failure to incorporate soil protection or rehabilitation into rainfed agricultural systems - Upper Mandrare Basin Development Project, Madagascar
- Risk to rangelands due to substantial increase in livestock numbers – Country Programme Evaluation, Sudan
- Population exceeds the carrying capacity of the land in mountainous upper catchments – Country Programme Evaluation, Pakistan

⁹ The use of Project Completion Reports (PCRs) to assess IFAD's corporate performance began in 2005-06.

3.7. These findings suggest that environmental assessment, and the prioritisation of ENRM issues within project design and implementation, needs to improve. However, they should not be interpreted as implying that all projects necessarily need to address ENRM issues. Some of the ENRM omissions mentioned above were genuine oversights that should be less likely with improved ESA procedures. But in other cases, the omissions resulted from a judgement during design that had to balance development priorities, financial resources, and the potential for a significant contribution. Some ENRM issues are simply too large, long-term and complex to be substantially addressed by IFAD supported programmes. As in the case of negative externalities (such as overgrazing resulting from increased livestock numbers), the important point is that such judgements and trade-offs need to be explicitly identified during project design, appraisal and approval.

3.8. The second type of weakness is where ENRM components have not been as successful as planned (see Box 3 for examples). In some cases these were minor ENRM components that were not accorded sufficient priority during design and implementation, as in the case of the Community-Based Rural Development Project in Burkina Faso. The need for long-term action to solve ENRM problems often makes the immediate investment of time and resources less attractive for programme beneficiaries and staff. Components with more immediate benefits tend to take priority.

3.9. But there are also a number of projects where major ENRM components have not been successful. Examples include rangeland management, sand dune stabilisation, and catchment management. In most cases the lack of success can be traced to inadequate design. As already mentioned, many ENRM issues are socially complex, long term, policy influenced, and large scale. Some ENRM improvements – such as common property resource management - require new institutions to be sustained if long-term benefits are to be realised. They often involve changing property rights and the balance of costs and benefits for individuals, communities, and governments. Such issues are not well addressed by relatively small, local, short duration projects that do not match the scale and complexity of the issues involved. The net result is that, even when prioritised, it is often difficult to design and implement ENRM initiatives that are technically, economically and socially sound and sustainable. Careful design and realism are key.

Box 3: Examples of less successful ENRM components

- Natural resources management was a minor component that received little priority during implementation - Community-Based Rural Development Project, Burkina Faso.
- Less than 10% of the planned soil and water conservation work was implemented – Special Country Programme Phase II, Ethiopia
- Current rangeland practices still threaten the environment despite a project focus on range management – Livestock and Pasture Development Project, Morocco
- Sand dune stabilization belts constructed, but probably uneconomic and unsustainable – Tihama Environmental Protection Project, Yemen

3.10. Overall, evaluations suggest that ENRM has been a significant investment area for IFAD, but that results have been mixed. Most, but certainly not all, IFAD-funded projects have generally succeeded in 'avoiding environmental harm'. But perhaps of more concern is that IFAD, historically at least, has not been particularly successful at 'doing environmental good'. The priority accorded to ENRM during design and implementation would appear to be a necessary, but not sufficient, success factor. As for IFAD more generally, 'context' is an important explanatory factor, which however should be factored in at design in order to ensure objectives and targets are realistic. Section 5 of this paper will outline how IFAD has responded, and is responding, to these findings.

4. WIDER EVALUATION FINDINGS

4.1. This section does not pretend to present a comprehensive synthesis of the wider ENRM evaluation literature from the last decade. Rather, it highlights some of the major findings from selected studies that may have general relevance and resonance for IFAD.

4.2. The experience of bilateral agencies in implementing the earlier surge in environmental awareness in the early 1990's is instructive¹⁰. A number of evaluations found that there was a significant gap between the high policy priority accorded to environmental issues, and actual practice. Environment tended not to be

¹⁰ Denmark (1994), Norway (1995), The Netherlands (1996), Finland (1999), and the United Kingdom (2000)

systematically integrated in operations as planned. Most agencies were more successful in treating environment as a risk to be avoided or managed, than as development opportunity or as a pre-requisite for sustainable poverty reduction. The reasons for this included a lack of clear strategies and monitorable targets; a limited number of specialist staff and limited wider awareness; limited demand from recipients; and the relative complexity of ENRM projects.

4.3. A recent evaluation of the Swedish International Development Cooperation Agency (SIDA) experience with mainstreaming the environment echoes these findings. Environmental issues are seen as separate, not integrated. Environmental analysis focuses on 'doing no harm' rather than identifying positive opportunities. The mainstreaming agenda is neither universally accepted nor prioritised within the agency. And SIDA's developing country partners do not understand the benefits: they accept environmental components in project plans, but do not then prioritise the implementation of these. The evaluation recommended that SIDA needs specific environmental targets and a management system to track progress; that environment needs to be integrated, not separate, in all policies; that environmental screening, monitoring and follow up needs to improve; and that programme officers are provided with improved support.

4.4. A major evaluation of environmental sustainability in the World Bank Group (WBG) comes to many similar conclusions. It found that the WBG has made progress in addressing potential negative impacts. However, it has been less successful at integrating environment centrally into its programmes. External constraints identified include insufficient recipient government commitment; inadequate environmental understanding and information; and the weak institutional context in developing countries. The main internal constraints were competing operational priorities and insufficient skills. The evaluation recommended that the environment became a central pillar in strategic discussions at all levels; that approaches to environmental issues needed to be more cross-sectoral and spatially focussed; and that better environmental monitoring and evaluation was required.

4.5. A recent Asian Development Bank (ADB)-Global Environment Facility (GEF) evaluation contains some more specific lessons of relevance to IFAD. It concluded that complex ENRM projects require a combination of instruments and long-term, phased programmes. The desire to attract GEF funds also needs to be balanced against the need to ensure sufficient time to prepare projects with adequate in-country ownership and implementation capacity.

4.6. The focus of the most recent World Bank Annual Review of Development Effectiveness (ARDE) was on global public goods. One of these (more properly a 'public bad') is climate change. The ARDE makes the important observation that motivating local environmental action is easier (but still not necessarily easy) when the benefits are captured locally and immediately. It becomes much more difficult where global and local benefits diverge in space and time: reducing greenhouse gas emissions is much harder to motivate where there is a lack of perceived local benefits, particularly in the short term. The ARDE notes that there is a great reluctance among national partners and country teams to allow International Development Association (IDA) allocations targeted for poverty reduction to be diverted to fostering global public goods, which may not immediately benefit the poorest populations.

5. IFAD INITIATIVES

5.1. IFAD's first Environmental Assessment (EA) procedures date from 1994, and were a response to the 'first environmental surge' mentioned above. There appear to be two different perceptions within IFAD on the importance of ENRM since then. The first argues, with some justification, that the majority of IFAD's work has always been in support of poor people living in marginal agro-ecological environments; that seeking to improve the management of natural resources, and to introduce more sustainable production systems, have been key elements of support; and that the 1994 EA procedures have been reasonably well implemented.

5.2. The alternative view is that, reflecting borrower demand, there has been a historical tendency within IFAD to focus on increased production rather than agro-ecological sustainability. Environment is either 'not really our concern' or a 'nice add-on'. The prevailing assumption is that agricultural development (and IFAD) is basically environmentally benign compared with other sectors (and other IFIs). According to this view, the fact that there have not been many negative environmental impacts is more a product of the type of work than effective EA procedures.

5.3. The assumption that agriculture, and particularly modern agriculture, is basically 'green' is erroneous. The expansion of agriculture nearly always results in the conversion of habitat and the loss of biodiversity. The intensification of agriculture usually involves increased inputs of fertiliser, pesticides, other chemicals,

and energy. These features, and the large areas of land involved, also make agriculture a very significant contributor to climate change. A recent FAO report estimated that the livestock sector alone contributes 18% of greenhouse gas emissions¹¹.

5.4. This issue aside, IFAD has taken significant steps in recent years to improve its ENRM performance. The GEF unit was established in 2004, and in 2008 was renamed the Global Environment and Climate Change Unit (GECC) to reflect an extended mandate. The Unit continues to maintain its GEF operational function which is to design impact-oriented grants that reinforce IFAD's strategy for sustainable development, while helping the Fund meet international commitments on the environmental agenda. These grants promote global environmental benefits by addressing land degradation, biodiversity loss, water scarcity and the adverse impact of climate change. In addition, as part of its extended mandate, it also promotes adaptation and mitigation activities in IFAD's country portfolios and other climate change-related initiatives beyond the GEF, as well as facilitates the technical dialogue with the United Nations Framework Convention on Climate Change Secretariat on operational technical matters.

5.5. Procedures and guidance have also been revised. Learning Notes – which included 'key success factors' for livestock and rangeland management; ENRM; agricultural water management, land tenure, GEF projects and mainstreaming of United Nations Convention to Combat Desertification (UNCCD) objectives – were introduced in late 2007, followed by new Environmental and Social Assessment procedures, and the new policy to strengthen access to land and tenure security in late 2008. More generally, as part of the Action Plan following the IEE, new quality enhancement and assurance procedures have been introduced. Together with direct supervision and increased country presence, these can be expected to improve the design and implementation of ENRM components. The planned new ENRM Policy agreed as part of the Eighth Replenishment, and a strategy on Climate Change, should raise the profile and priority of both.

5.6. All eight of the COSOPs presented to the Executive Board in December 2007 and April 2008 address issues of climate change in the country-specific context¹². Understandably, this does not yet appear to have influenced the projects approved by the Executive Board in 2008. As in previous years, the majority of these do not have specific ENRM components; generally use the term 'sustainable' to mean institutional and financial sustainability; and have Category B environmental classification as they are judged not likely to have any significant negative environmental impacts. However, there are projects with innovative ENRM components. The Sustainable Natural Resource Management and Productivity Enhancement Project (Lao PDR) is supporting the devolution of responsibility for management of natural resources to provincial and district levels. The Pro-Poor Partnerships for Agroforestry Development Project (Vietnam) is piloting a modality of payments for environmental services that may become a viable safety net for the future.

6. ISSUES GOING FORWARD

6.1. It is too early to assess whether the new ESA procedures, the initiatives to improve portfolio performance more generally, and the new policy priority attached to ENRM and climate change, will significantly improve ENRM outcomes in IFAD programmes. However, evaluation experience from IFAD and elsewhere suggests that new policies and procedures may, by themselves, be insufficient. Other internal and external constraints – such as staff resources and training, or borrower demand - may need to be addressed.

6.2. A common evaluation conclusion is that environmental assessment procedures have been more effective at minimising environmental harm than at maximising environmental benefits. It is instructive that more environmental analysis is required for Category A projects (ie. those likely to have significant negative impacts) than for other projects. Greater analytical effort goes into avoiding environmental harm than into achieving environmental benefits.

6.3. The third issue of significance is climate change. This is rightly seen as enormously important for IFAD. There are, however, pros and cons associated with treating climate change as a separate, priority issue. Previous experience with both the environment and gender suggests that separation is not the best way forward, but equally that mainstreaming is difficult. It will also be important to ensure that increased attention to climate strengthens, rather than detracts from, attention to ENRM more generally.

6.4. Three questions are suggested for discussion:

¹¹ Livestock's Long Shadow – environmental issues and options. Steinfeld, H. et al. FAO, 2006

¹² Afghanistan, Bolivia, Cambodia, Jordan, Mali, Mexico, Moldova and Yemen.

1. Will the new procedures and policies be sufficient to redress the under-performance of ENRM, or are there other internal and external constraints that need to be addressed?
2. How can scarce analytical and other resources be more directed at achieving ENRM positives rather than avoiding ENRM negatives?
3. How should the increased priority attached to climate change best be implemented? Should it be addressed separately or mainstreamed? How can IFAD ensure that the attention to climate change improves rather than diminishes ENRM performance more generally?