



Adequate funding of EIA agencies: a precondition for effective environmental management

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Over 20 years of experience with environmental impact assessment (EIA) capacity development have taught us at the NCEA that one of the prerequisites for effective EIA is adequate funding of EIA agencies. In practice, budgetary limitations seriously hamper the quality of review and licensing. The NCEA investigated how it could help countries to build adequate funding mechanisms into their EIA systems, to enable governments to guarantee the delivery of high-quality EIA services. Based on experience supplemented with research done in the last two years, the NCEA has produced a manual on the financing of EIA, to help EIA agencies and government authorities map their current situation. It also outlines a process they can take to make any necessary improvements. This article provides a short overview of the publication.

The problem: no funding – no effective EIA

As part of our capacity development programmes we have carried out systematic analyses of EIA systems in about 25 countries. This analysis, known as ‘EIA mapping’ (see pages 50 and 51), focuses on all aspects of an EIA system, both what is stipulated in its regulatory framework and how it is applied in practice. The EIA mapping results for the 25 countries showed that in terms of funding of the EIA system, only around 30 % of them mobilized sufficient funds for EIA-related government tasks, such as quality assurance of EIAs and licence enforcement.

As a result of these budgetary limitations, government agencies entrusted with quality review of EIA reports are proving to be incapable of mobilising the expertise and institutional capacity needed to distinguish between good and less good EIAs and to formulate and enforce good licence conditions. In particular, the EIA mapping results revealed that licence enforcement often receives the least attention in the EIA process.

The lack of stringent review and enforcement results in project proponents investing less in EIA and in implementation of licence conditions. They see EIA and licensing as mere administrative hurdles on the way to project approval. But in many countries, at least in most of the 25 that were analysed, EIA and environmental licensing are the only instruments available for managing the negative impacts of investment projects. So, ultimately, the underfunding of government EIA agencies undermines the effectiveness of these instruments, with the result that the environmental and social interests they are intended to safeguard lack such protection in real life.

The manual: improve funding – improve effectiveness of EIA

Having identified this problem, the NCEA started to work on the funding of government tasks. This was made one of the focal points in its 6-year (2007-2013) capacity development programme in Central Africa supporting the strengthening of EIA systems in 5 Central African Countries: Burundi, Cameroon, Central African Republic, Congo Brazzaville and Rwanda (see also the article on PAANEEAC, page 48). The programme provided input for developing knowledge on funding government tasks in environmental management based on EIA. The NCEA analysed the funding situation of EIA agencies in each of the 5 countries in detail. The resulting information in combination with more research and examples from other countries forms the basis for the manual *Financing EIA*. The manual provides a detailed inventory of tasks to

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be performed as part of the EIA and licensing procedures, presents analyses of the options for delegating tasks to other actors in the procedure (preferably the project proponent), and gives guidelines on how to manage a process to structurally improve the funding base of government agencies responsible for EIA and licence enforcement.

In addition, the analysis of the current funding situation of the 5 Central African countries and detailed advice on how to improve the funding base of these agencies have been compiled into a second publication, an interactive pdf in French: *Les mécanismes de financement de l'action publique en matière d'études d'impact environmental*.

Get started – is change needed?

Interested governments can check whether the funding status of their agencies responsible for EIA, licensing and licence enforcement allows them to function properly. This is easily done by asking the agencies about the funds made available to them (for relevant questions, see the box below). If the agencies' answers indicate that their funding base is insufficient for the tasks to be carried out well and needs to be improved, the *Financing EIA* manual provides guidance on how to do so, using the following 7-step approach.

Questions to be asked on EIA system funding

Soundness of EIA system funding (in the legal framework):

- does the legal framework provide for structural funding?
- are the provisions adequate for funding of staff and for the functioning of the agency?
- are provisions adequate for hiring external experts?

Availability of means:

- is structural funding readily available?
- are sufficient funds available for staff and for the functioning of the agency?
- are sufficient funds available for hiring external experts?

Example: Citizen involvement in inspections in Estonia

In certain countries, government agencies may enter into agreements with local citizen groups or individuals to procure their assistance in carrying out inspection efforts.* Under Estonia's Nature Protection Act (1990), the Minister of the Environment and the 17 local district environmental protection departments, which serve as the local administrative units, have responsibility for protecting the environment. According to the Act, environmental monitoring data must be made available for any interested party. Private citizens may not ordinarily take actions individually, but may make complaints to the competent authority. However, citizens can be deputised as “public inspectors” to monitor compliance with certain environmental laws, regulations, and permits. These citizens, however, are barred from receiving payments for their services.

Source: *Financing EIA*, page 46

* INECE, Supra note 27, at 62; Status of Public Participation Practices in Environmental Decision-making in Central and Eastern Europe, Estonia, Maret Merisaar, 138 (September 1995).

A 7-step approach for improving funding mechanisms

1. The first step in this approach is to make a detailed list of all the tasks that need to be executed in the EIA procedure and during licensing, monitoring and enforcement.
2. The second step is to assign each of the tasks to one of the actors in the EIA and licensing procedure and to set minimum requirements for quality of task performance.
3. The next step is to gather statistical data on the average annual number of EIAs and licensing procedures undertaken in the country and the probable future trend in these figures.
4. The fourth step is to collect data on the average cost of executing each of the tasks identified in step 1 and assigned to government agencies in step 2. It will probably take a long time to collect reliable data on average costs. To get round this, it could be decided to use estimates and to refine these over time, on the basis of bookkeeping data from the agencies concerned.
5. Step five consists of calculating necessary budgets for each task and a total budget for each of the government agencies concerned (see the table below for an example). This can be done on the basis of the assignment of the tasks (step 2) and assessment of the costs (step 4), after applying the options to reduce costs. In this regard, the manual addresses elimination of inefficiency, priority setting, delegation of certain tasks - or parts thereof - to the proponent and applying methods to achieve self-enforcement of environmental licences.

All components of costs for review, including administrative overhead

The following chart illustrates one approach to estimating costs of review and administrative overhead. A proportion of the running costs will have to be allocated to reviewing, to be able to complete a review cost estimate.

Running costs administration of EIA	
Task or function	Basis for estimation of costs
Professional staff- EIA unit	Number of professional staff, the average cost of wages and benefits
Information technology costs	Computers, website, EIA database, and phone

EIA review	
Task or function	Basis for estimation of costs
Initial site visits	Daily allowance, cost per kilometre of vehicle travel (fuel, depreciation, driver)
External experts	Number of consultants per day (and for major projects, certified financial analysts per day) and daily fee
Personnel	Various governmental staff - per hour costs
Costs of technical meetings	Per diem transportation costs, use of meeting facilities, coffee and refreshments, pre-meeting mailings, photocopies, use of video projection equipment, and other miscellaneous expenses

Source: *Financing EIA*, page 52

Factors and criteria influencing policy decisions on funding

Factors that condition policy decisions on funding may be:

- the existing legal and policy framework;
- the nature of the EIA system;
- the prevailing governmental coordination mechanisms;
- the community profile regulated by the EIA legislation.

Applicable principles for cost recovery may be:

- the polluter pays principle (PPP) ;
- the user pays principle (UPP);
- the beneficiary pays principle (BPP);
- the precautionary principle (PP);
- the principle of prevention of conflict of interest.

Mechanisms for raising funds include:

- general taxation;
- special taxation;
- user taxes and special levies;
- penalties and sanctions.

Criteria for the choices to be made include:

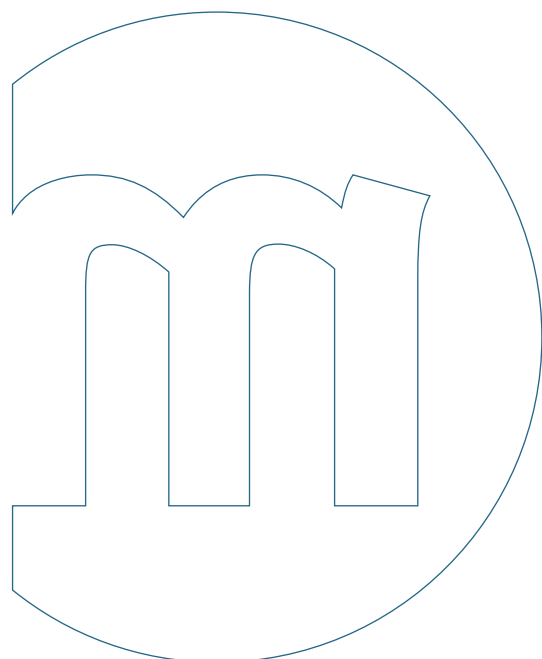
- the adequacy, stability and flexibility of the funding source;
- the administrative costs of keeping the source flowing;
- the transparency and accountability of the mechanism;
- the political and social acceptability of the mechanism.

Example: Polluter pays principle in the environmental law of South Africa

South Africa's National Environment Management Act (NEMA - 1998) calls for implementation of the polluter pays principle in two sections. Chapter 1, Section 2 (4)(p) incorporates the polluter pays principle into national environmental law, providing that "the costs of remedying pollution, environmental degradation and consequent adverse health effects and of preventing, controlling or minimising further pollution, environmental damage or adverse health effects must be paid for by those responsible for harming the environment."

Chapter 7, Section 28 (8)(a) further provides for authorities to recover costs incurred from "any person who is or was responsible for, or who directly or indirectly contributed to the pollution or degradation or the potential pollution or degradation."

Source: Financing EIA, page 9





6. The necessary level of funding now being known, the next step is to take policy decisions. The decisions need to be taken firstly on the applicable principles for cost recovery, such as the polluter pays principle (PPP) or the user pays principle (UPP), etc. Secondly, decisions need to be taken on the mechanisms for raising the necessary funds (such as general taxation or penalties and sanctions) and on making them available. When making the decisions, the authorities need to pay attention to the criteria that might influence the choices: for example the political and social acceptability of the mechanism or the financial autonomy that the mechanism allows to the agencies executing the EIA-related tasks. See also the box on 'Factors and criteria influencing policy decisions on funding'.
7. The last and seventh step is to formalise the decisions taken in a legal and regulatory framework.

It is important to note that the steps need not be made consecutively: e.g. the collection of data on the costs of government services in EIA can start at any point in the process of revising the funding base.

For more information on the above steps, please refer to the manual. In about 70 pages it provides detailed guidance, background material and examples on each of the above steps. The NCEA hopes that this manual, which makes available the knowledge necessary to improve the funding base for EIA, will help improve the effectiveness of EIA.

The manual 'Financing EIA' is available via www.eia.nl.

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