

The Parliament of the Commonwealth of Australia

ENVIRONMENTAL IMPACT OF DEVELOPMENT ASSISTANCE

**A Report of the Senate Standing Committee
on Environment, Recreation and the Arts**

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PREFACE

On 19 February 1987, the Senate resolved that the following matter be referred to the Standing Committee on Science, Technology and the Environment:

1. To examine the capacity of the Australian Development Assistance Bureau to:
 - (a) assess the environmental impact of proposed projects; and
 - (b) ensure the environmentally sound management of such projects.

2. The adequacy and effectiveness of Australia's participation in the decision-making process of international banks and multilateral aid agencies of which it is a member in relation to the environmental aspects of development projects.

Following a reorganisation of the Senate Committees on 22 September 1987, the inquiry was referred to the Standing Committee on Environment, Recreation and the Arts.

During the course of the inquiry, 50 submissions and a number of supplementary submissions were received from individuals and organisations (See Appendix 1) and 5 public hearings were held (See Appendix 2). It is to be noted that much of the evidence presented for the inquiry was taken in 1987 by the previous Committee.

The Committee was impressed by the quality of the submissions and letters that it received. Regrettably, however, while otherwise valid and informative, a portion of that evidence did not focus on this inquiry's terms of reference. Accordingly, it has not been possible to cover such evidence in this Report.

Nevertheless, the Committee considers that it is valuable to have such evidence on the public record and suggests that it would be useful to AIDAB in considering wider issues relevant to the environmental effects of Australian development aid.

ACRONYMS

ACFOA	Australian Council for Overseas Aid
ACIAR	Australian Centre for International Agricultural Research
ACIUCN	Australian Committee of the International Union for Conservation of Nature and Natural Resources
ADB	Asian Development Bank
ADF	Asian Development Fund
AESS	Appraisals, Evaluation and Sectoral Studies
AIDAB	Australian International Development Assistance Bureau
AREA	Association for Research and Environmental Aid Ltd.
DASETT	Department of the Arts, Sport, the Environment, Tourism and Territories
DFAT	Department of Foreign Affairs and Trade
EAP	Environment Assistance Program
EIA	Environmental Impact Assessment
IDA	International Development Association
IDP	International Development Program of Australian Universities and Colleges
IFAD	International Fund for Agricultural Development
ITI	International Training Institute
MDB(s)	Multilateral Development Bank(s)
MOU	Memorandum of Understanding
NCSA	National Conservation Strategy for Australia
NGO(s)	Non-Government Organisation(s)
ODA	Official Development Assistance

OECD	Organisation for Economic Co-operation and Development
PNG	Papua New Guinea
UNEP	United Nations Environment Program
WCED	The World Commission on Environment and Development
WCS	World Conservation Strategy
WHO	World Health Organisation

CONCLUSIONS AND RECOMMENDATIONS

Australian Aid and the Environment

Survival and development are the objectives of development aid. Those objectives can entail an environmental cost. The provision of development aid itself can therefore exacerbate environmental damage. The acceptance of a responsibility to contribute to the welfare of developing countries is an elemental international obligation. But the onus to contribute in ways that preserve, and avoid damage to, the local and global environment must be an associated concern. (1.6)

It would be regrettable if Australia's contributions to economic development paid insufficient attention to the prevailing culture of the recipients, at either the national or regional level. Development which does not take into account the prevailing culture may not only have adverse environmental consequences but may also fail because of a lack of local support or because its benefits are not available to the intended recipients. **The Committee recommends that the Australian International Development Assistance Bureau (AIDAB) include in its program for implementing environmental policy (see Chapter 7) an assessment of the relevance and significance of the culture of the intended recipients and its relationship, if any, to the proposed development.** (2.3)

Further, the Committee recommends that a much more significant program of aid for environmental projects should be developed by the Australian Government. (2.11)

Almost all of the funds provided to the major recipient of Australian Overseas Development Assistance (ODA) were provided as untied budget support; Papua New Guinea (PNG) is the only country to receive assistance in this way. For 1989-90 the level of this support will be \$275 million. Crucially, because this allocation is not for programmed activities and is spent at the discretion of the PNG Government, its disbursement is not subject to Australian guidance (or even monitoring). AIDAB, then, is unable to subject almost half of the Country Programs ODA allocation to scrutiny from an environmental perspective. This is of concern given the potential degradation of the environment in PNG, particularly rainforests. Only \$19.3 million of Australian ODA to PNG under Country Programs for 1989-90 is capable of being assessed for environmental impact. (The balance of the \$309.4 million allocated to PNG is \$15.1 million for Retirement Benefits for expatriate officers who served in pre-independence administrations.) (4.6)

The Committee recommends that AIDAB should use the appropriate forums as regularly as necessary to express to PNG Australia's concern that the untied budget support not contribute to environmentally damaging projects; the

degradation of rainforests in PNG is a particular concern. The Committee considers that such expressions should remain confidential, but notes that they could be made up to ministerial level if appropriate. (4.21)

The Committee notes that Australian ODA may be spent through multilateral agencies for country program purposes and that it may be difficult for Australia to monitor the environmental impact of such aid. Nevertheless the Committee considers that official Australian representatives on those agencies have a responsibility to pursue the policies of the Australian Government concerning aid and the environment. (4.13)

The Committee has noted the disbursement of Australian ODA through multilateral organisations in the South Pacific and South East Asia. The Committee recommends that, where represented on those agencies, Australian officials:

- **monitor projects from an environmental perspective;**
- **advise the multilateral organisations, where appropriate, of Australia's environmental concerns;**
- **report regularly to AIDAB on the environmental monitoring and advising role being pursued. (4.22)**

The Committee further recommends that AIDAB should provide regular (say, every six months) reports to the Minister for Foreign Affairs and Trade and the Minister for the Arts, Sport, the Environment, Tourism and Territories. These reports, based on the advice received by AIDAB management, would inform the Ministers of environmental aspects of projects pursued by multilateral organisations utilising Australian ODA funds; they would also advise projected action, where necessary. (4.23)

While Non-Government Organisations (NGOs) receive around only one per cent of the development aid allocation (\$14 million in 1989-90), the Committee is concerned to ensure the environmental competence of all recipients of the aid funding that is capable of being monitored by AIDAB. Of the funding for NGOs in 1989-90, \$0.4 million is set aside for environmental activities. However, significantly more than that will flow to projects with an environmental significance. Accordingly, the Committee considers that the credentials of some NGOs on environmental matters necessitates careful monitoring of their activities. The Committee is of the view that one useful manner in which this can be effected is for environmental experts from AIDAB to serve on both of the bodies that facilitate AIDAB/NGO co-operation. Those bodies are the AIDAB-NGO Committee for Development Co-operation and the NGO Development Projects Appraisal Panel which examines proposals seeking AIDAB support. (5.13)

The Committee recommends that AIDAB environmental experts serve on both the

- **AIDAB-NGO Committee in Development Co-operation; and**
- **NGO Development Projects Appraisal Panel.**

This should provide AIDAB with a better capability to monitor for environmental soundness disbursements that are made through NGOs. (5.30)

The Committee recommends that, for any proposed project, AIDAB seek from the recipient country:

- **advice whether there is domestic environmental legislation relevant to the project; and**
- **confirmation that the proposed project is unlikely to breach such legislation. (5.31)**

Further, the Committee recommends that, where such legislation exists, this advice be written into AIDAB's country papers for future reference. (5.32)

Where such legislation does not exist, the Committee recommends that AIDAB offer Australian assistance in drafting environmental legislation for countries that would welcome external advice. (5.33)

The Committee accepts the view that the imperative to meet a range of human needs over a short timeframe in some developing countries can render inevitable some compromises with environmental standards. Without that scope to compromise, the essential humanitarian focus could suffer. While the Committee acknowledges the link between basic human well-being and the environment, the preservation of human life must always take priority. That principle, however, must never be taken as an excuse for ignoring or minimising environmental considerations. (6.8)

The Committee endorses the view expressed by Mr Hawke during the Commonwealth Heads of Government Meeting (CHOGM) in October 1989, to the effect that it is appropriate to impose environmental considerations upon development aid projects. By the same token the Committee does not agree with the view expressed on this point by the Langkawi Declaration on Environment (issued 21 October 1989). In the Langkawi Declaration the Commonwealth Heads of Government considered that environmental concerns should not be used to introduce a new form of conditionality in aid and development financing. (6.13, 6.14)

The Committee considers that Australia, to uphold its standards concerning aid and the environment, must preserve the scope to review development aid projects for environmental effects. The Committee accordingly recommends that AIDAB adhere closely to its policy of requiring environmental impact assessments for aid projects as necessary. (6.44)

The Committee recommends that the Department of the Arts, Sport, the Environment, Tourism and Territories (DASETT) and AIDAB finalise as an urgent priority the Memorandum of Understanding (MOU) between them concerning the Impact of Proposals Act. The MOU will confirm the intentions of AIDAB as an action authority to comply with the principles of the Impact of Proposals Act. (6.45)

The Committee considers that if ministerial or delegate approval is to be sought on completion of *Documentation*, then the consideration of environmental factors during *Documentation* should be comprehensive. That is, the consultation between AIDAB's environment experts and other elements of the AIDAB planning cycle staff should be extensive. Further, by the finalisation of *Documentation*, adequate liaison with external expertise (including that from other Commonwealth authorities and the NGOs) would be desirable. (7.12)

The Committee recommends that AIDAB articulate as policy that it intends to maintain environmental expertise in its organisation. AIDAB should nominate the establishment it considers necessary to perform environmental analysis in-house. It should also advise the methods that it intends to employ to make full use of the directory of environmental expertise that it has compiled. (7.22)

The Committee considers that there are no guarantees that adequate consultation is taking place with NGOs (including those in-country), and there is a need for a formal advisory body of the kind envisaged by the Australian Committee of the International Union for the Conservation of Nature and Natural Resources (ACIUCN). The Committee cannot accept the assurance of AIDAB that it uses NGO expertise to help identify and appraise environmental aspects of projects. Further, the Committee concurs with the essential concern expressed by Dr Pfanner and advises AIDAB that it should ensure that it avails itself of the NGO advice regularly available on development aid issues. The Committee considers that AIDAB should ensure that relevant NGOs are regularly provided with the most recent advice concerning AIDAB's policy on reviewing environmental factors. As the Association for Research and Environmental Aid Ltd. (AREA) recommended, NGOs should be provided with the AIDAB environmental guidelines for assessing potential projects. This will assist the participation of NGOs in the formal advisory body recommended at paragraph 7.23. (7.14)

The Committee recommends to AIDAB that a formal body to incorporate NGO advice into the planning cycle should be established. AIDAB should ensure that relevant NGOs are regularly provided with the most recent advice concerning

AIDAB's policy on reviewing environmental factors. Further, NGOs should be provided with the AIDAB environmental guidelines for assessing potential projects. (7.23)

It is essential that AIDAB address environmental aspects clearly from the first stage of the planning cycle, that of Identification. (7.24)

The Committee recommends that all AIDAB staff receive appropriate training in environmental assessment, and perhaps even more importantly, in developing environmental awareness, especially in relation to developing countries. (8.14)

The Committee recommends that an environment section be established in AIDAB's Appraisals, Evaluation and Sectoral Studies Branch. The section would be staffed by at least six professional officers. (8.19)

The Committee's recommendation for a section of at least six professional officers to review environmental factors of aid projects has the following essentials:

- all officers should be engaged full-time on environmental review and associated matters;
- all officers should be suitably qualified and some officers, at least, should be graduates in the natural sciences or associated disciplines; the others could hold professional qualifications in fields such as environmental science, agricultural science, forestry and engineering;
- ranking of staff in this section should be sufficient to ensure that environmental assessment receives appropriate emphasis within AIDAB; accordingly the section's staff should range from at least the top level of the Administrative Service Officer (ASO) structure and should not include inexperienced officers;
- the Head of the Section should report to a Deputy Director-General with the right of direct access to the Director-General; the ranging of the section staff could be as follows: one ASO8, two ASO7, three ASO6. (8.20)

The Committee examined AIDAB's review of bilateral projects current in 1987 and its conclusion that Australian aid projects 'are, in general, avoiding the worst features of environmental degradation'. The Committee considered AIDAB's conclusion to be self-condemning. (9.3)

In finding this AIDAB review disturbing, the Committee has already acknowledged (paragraph 6.8) the need for compromise in some circumstances. Nevertheless, the Committee believes that, if AIDAB's 1987 review is an accurate reflection of the 'environmental review process in AIDAB for projects that year, then AIDAB needs to improve its activities in this area very substantially. The Committee therefore recommends as essential the following broad program. (9.6)

A Program for the Future

AIDAB should provide an information booklet that specifies the formal undertakings acknowledged by the Australian Government to ensure the environmental soundness of development aid. (3.17, 9.7)

Further the Committee recommends that the document should include a comprehensive commitment to the Brundtland (the World Commission on Environment and Development - WCED) Report. The Committee recommends that Australia's commitment to the Brundtland Report should be agreed between AIDAB, the Department of Foreign Affairs and Trade, and the Department of the Arts, Sport, the Environment, Tourism and Territories. This would precede an announcement on Australia's commitment by the Minister for Foreign Affairs and Trade, and the incorporation of the commitment into AIDAB's document. (3.18, 9.8)

The Committee concurs with the policy on the environment and development aid articulated in the AIDAB publication *Aid and the Environment*. If this policy is adhered to by AIDAB and applied in AIDAB management procedures, the regrettable record of AIDAB in this area could be reversed. (9.9)

The finalising of the MOU with DASETT will formalise AIDAB's obligations under the Impact of Proposals Act and clarify for AIDAB the circumstances under which it must provide DASETT with information on development aid proposals. This will permit a decision to be taken on the need for formal documentation and allow appropriate ministerial decisions on measures to reduce or avoid environmental impact. (9.10)

The Committee welcomes the publication by AIDAB of the environmental screening guidelines contained in the booklet *Environmental Assessment of Official Development Assistance*. The Committee considers that the sensitive and practical application of these guidelines will ensure that environmental factors are considered at appropriate stages of the consideration of development aid proposals. (9.11)

Any tender and contract documents that are drafted following initial project consideration should advise the environmental issues and controls to be incorporated. (9.12)

Of course, the existence of screening guidelines will not assist the proper consideration of environmental factors in AIDAB unless the staff are properly trained to employ them. There needs to be developed in AIDAB an environment section of at least six professional officers who can concentrate their attention on environmental assessment and be involved in guiding and training other AIDAB staff. The Committee considers that this section should have the right to consult directly with AIDAB's Director-General, as necessary. (9.13)

In the same manner as AIDAB provided an audit of the environmental impact of aid projects current in 1987, AIDAB should provide annually an audit of that kind to the Minister for Foreign Affairs and Trade. The audit would be more comprehensive than that conducted in 1987. It would specify the number and value of projects that resulted in significant environmental damage. It should also comment on methods to improve the management of Australian development aid projects from that perspective. (9.14)

The Committee considers it essential for Australian representatives to convey fully and forcefully to multilateral organisations the Australian policies and assessments concerning environmental aspects of development projects. (9.15)

International Financial Institutions

The Committee recognises, having regard to the relatively small size of Australia's contribution to the International Fund for Agricultural Development (IFAD), that AIDAB must allocate its monitoring resources in a cost-effective way. However, the Committee is of the view that despite the low level of Australia's present involvement with IFAD, AIDAB should seek to exercise an influence that includes promoting the Government's policy on aid and the environment. (10.16)

The Committee therefore recommends that AIDAB monitors more closely the activities of IFAD particularly in relation to the environmental aspects of its projects. The Committee also recommends that AIDAB liaise regularly with the Executive Directors representing Australia's constituency and report annually to the Minister for Foreign Affairs and Trade on the operations of IFAD and Australia's involvement. (10.17)

The Committee further recommends that the Australian Government give immediate consideration to a further increase in funding for IFAD. (10.18)

This Committee endorses the recommendation of the Joint Committee on Foreign Affairs, Defence and Trade to the effect that strong representations be made to the Asian Development Bank (ADB) about Australian concerns for accountability and disclosure. (11.46)

Having regard to Australia's current environmental policies and widespread community concern at potential environmental damage from Multilateral Development Bank (MDB) projects, it is essential that comprehensive project assessments and advice of high quality be provided to the Executive Directors. The Committee believes that this can best be achieved by combining the relative expertise of Treasury, AIDAB and DASETT. The Committee therefore recommends that Treasury, AIDAB and DASETT establish regular and systematic consultation whereby:

- designated officers meet on each occasion that an Executive Director's office provides documentation (either policy or project-related) for comment; and
- advice is prepared for the Executive Director as a result of these meetings which reflects Australia's policies and concerns in relation to the environmental aspects of development; and
- Australian representatives should not support environmentally undesirable projects. (12.9)

It is pointless to refuse access to documents as a matter of course if the same material is readily available from other, perhaps less convenient, sources. The Committee recommends that the Department of Foreign Affairs and Trade (DFAT) and AIDAB should develop and publish a policy on access to MDB documents which on the one hand reflects the sensitivity required in the handling of such information and on the other hand recognises the legitimate interests of organisations such as Australian Council for Overseas Aid (ACFOA). AIDAB and DFAT should have regard to the more liberal practices adopted by other members of the MDBs when formulating the policy. (12.18)

The Committee notes that the ADB appears to adopt a more stringent attitude to access to its project documents. (12.19)

In this context, the Committee recommends that Australia request the Executive Directors representing its constituency to ensure that the recent steps taken by the ADB to improve liaison and consultation with NGOs are effective and that opportunities for external organisations to have input are maximised. (12.20)

The Committee further recommends that the Department of the Treasury include in its annual report:

- a statement of the operation and level of use resulting from the access provided by the policy recommended above; and
- an assessment of the method and effectiveness of liaison between the ADB and NGOs. (12.21)

The Committee recommends that the World Bank's programs, as they affect the environment, be monitored carefully by Australian representatives. Effective Australian membership of the World Bank requires greater awareness of the Bank's handling of environmental issues. Australian representatives should draw on the environmental advice available from DASETT, and the Committee recommends that Australian representation on the World Bank Board and at the Asian Development Bank should pass from Treasury to Foreign Affairs and Trade. Australian nominees for Executive Directors should be AIDAB officers. (12.30)

The Department of the Arts, Sport, the Environment, Tourism and Territories recommended that it, together with AIDAB and Treasury, should ‘jointly review and assess Australian participation in international aid agencies (including multilateral development banks), with a view to determining how its contributions can be most effectively used to promote environmentally responsible development’. The Committee endorses this recommendation. (12.37)

The Committee notes that the work of an Executive Director’s office extends over the whole range of bank matters and is not limited to examining projects associated with the lending program of the bank. (12.38)

The Committee believes that despite the voting structures of the MDBs, active and well-informed Executive Directors can be influential in the decision-making processes of the banks. Since important decisions are made before the Board level it is important for Executive Directors to be in contact with staff in the vice-presidential units and to provide Australian input into the decision-making process at that level as well. (12.39)

The Committee recognises that a large proportion of concern about Australia’s effectiveness in the decision-making processes of the MDBs results from the shortage of publicly available information. Having regard to the level of Australia’s commitment to these institutions the Committee is of the view that it would be useful for information to be made available on a regular basis. (12.42)

The Committee therefore recommends that the current responsible Department, the Treasury, include in its annual report to Parliament an outline of:

- **Australia’s current representation on the MDBs;**
- **Australia’s official position on major projects and any formal votes taken;**
- **the projects for which AIDAB, Treasury and DASETT have provided assessments;**
- **any MDB environment-related policy initiatives which have occurred; and**
- **Australia’s input to such policy developments.**

Following the adoption of the Committee’s recommendation in paragraph 12.30, this reporting function will reside with AIDAB through the annual report of the Department of Foreign Affairs and Trade. (12.43)

