

SECTION 1

INTRODUCTION

CHAPTER ONE

THE ENVIRONMENT AND AID

1.1 Environmental damage is a global concern. Some types are experienced by only a limited number of countries. Many other kinds, however, have an impact felt (in varying degrees) by a variety of countries around the world; such problems include acid rain, soil salination and deforestation. Further, other environmental threats are even more universally felt, and require the attention of virtually all countries. Perhaps the most troubling problems of this kind include global warming, the depletion of the ozone layer and the disposal of wastes.

1.2 These matters are of major concern for three reasons in particular. First, they affect the aesthetic pleasure that can be derived from an ecologically sound world that displays diversity of species and environments. Second, they raise the question whether environmental degradation is an unavoidable byproduct of economic growth. And third, the level of environmental deterioration together with the depletion of the Earth's resources raise the worst-case prospect that significant economic growth ultimately may not prove sustainable.

1.3 Of course, it remains an option (if only in theory) to confront the environmental damage/economic growth dilemma by significant reductions in economic growth. But this is not a serious option for either developed or developing economies. At this stage developed economies are not about to volunteer major decreases in their standard of living, and developing economies have good prospects before them even without achieving sufficient economic growth to join middle ranking nations. Whether or not the developed world agreed on a coordinated policy of slowing economic growth globally, the developing economies could not be expected to follow suit until they enjoyed a relatively satisfactory standard of living. Significantly, the Brundtland Report has noted that:

Given expected population growth, a five- to tenfold increase in world industrial output can be anticipated by the time world population stabilizes sometime in the next century. Such growth has serious implications for the future of the world's ecosystems and its natural resource base.¹

1.4 While the forces for environmental degradation are driven by both the developed and developing economies, then, the Committee received the disturbing advice that it is the developed world that is significantly responsible. The Acting Director (Environment Department) of the World Bank claimed that:

some of the most important influences on environmental degradation in the developing world are not the responsibility of and are not caused by people in the developing world; they are caused by activities in the developed countries. That might take two forms. It could be the direct physical linkage between it and the export of acid rain or water pollution, for example, or the more insidious and perhaps more dangerous one of restrictive trade practices, subsidies for agriculture and so on, which have the effect of keeping rural people in the developing countries even poorer than they would otherwise be.²

1.5 It is tragic that poverty endured by many developing countries tends to compound the tendency to deleterious environmental exploitation in those countries. The environment is sacrificed out of the necessity to sustain life. And even where survival is not at stake, the pressure for economic development is enough to ensure environmental damage. This problem is compounded in those developing countries which suffer high levels of foreign debt. The pressures of debt servicing contribute to the pursuit of economic development often at considerable environmental cost. The Australian International Development Assistance Bureau (AIDAB) advised the Committee that in some circles there has been a tendency to assume that the need for development is so important that environmental issues are not significant or should be given little consideration.³

1.6 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. This concern is reinforced if, as was suggested by the Association for Research and Environmental Aid Ltd. (AREA):

the most important, difficult and urgent environmental problems are located in the developing world.⁴

1.7 Clearly, however, the objective of providing environmentally sound development aid is more easily articulated than fulfilled. Considerable analysis of projects is necessary in order to determine their acceptability in balanced economic, social and ecological terms. The Treasury outlined the nature of this analytical difficulty:

some environmental costs may be acceptable because of the offsetting benefits. Irrigation and hydro-power projects may lead to ... forest submergence, but by creating more productive agricultural areas and employment opportunities the projects have offsetting environmental benefits through reducing population pressure which would otherwise eliminate the remaining forests ...

cases may arise where environmental costs which would be unacceptable in developed countries can be absorbed e.g. industrial or noise pollution in lightly populated areas.⁵

1.8 This inquiry was conceived in the acknowledgement that difficulties of these kinds needed to be addressed. In particular, it has been pursued out of regard to the fact that Australia has a role to play in the preservation of the environment globally. Not only is this Committee concerned about ensuring that Australia plays its full role in this regard; it is also committed to assisting the processes of international development aid to ensure, in so far as is possible, that Australia does not contribute to environmental damage in the course of providing such aid.

ENDNOTES

1. World Commission on Environment and Development, *Our Common Future*, Oxford University Press, 1987, p. 213.
2. Dr J Warford, Transcript of Evidence, p. 26.
3. AIDAB Submission (No. 1), p. iii, Transcript of Evidence, p. 631.
4. AREA Submission (No. 28), p. 2, Transcript of Evidence, p. 341.
5. Treasury Submission (No. 37), p. 6, Transcript of Evidence, p. 52.

CHAPTER TWO

AUSTRALIA'S AID AND ENVIRONMENT OBLIGATIONS

2.1 Australia seeks to benefit its own strategic, economic and foreign relations interests through its overseas aid program. This country, however, also has an obligation consequent upon its relative national wealth to contribute directly to the economic and social well-being of its region and beyond. That is, Australia should contribute in this way for humanitarian reasons. AIDAB has noted that, in fact, this is the main rationale for our provision of international aid:

Australian aid is given primarily for humanitarian reasons.¹

2.2 The central obligation of Australian aid, then, is the well-being of its ultimate recipients. While this includes factors that are quantifiable in economic terms, it should extend to non-quantifiable criteria including quality of life. Dr Warford from the World Bank advised the Committee:

In fact, one of the interesting things which has happened over the last couple of years in the Bank has been to reduce the gap between the environmentalists, on the one hand, and the economists on the other. I think that most economists who have had any experience in dealing with projects in developing countries over any period of time are very much aware of the inadequacies of economic analysis as an indicator of the real benefits of our activities. In fact, there are some of us, even trade union card-carrying economists who accept the fact that what matters in life often cannot be measured, certainly in dollar terms.²

The Committee shares this sentiment. It would be reprehensible to contribute to a country's economic development (with all its consequent benefits) and, at the same time, diminish overall the well-being of that country's people through life-style degradation.

2.3 It would also 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 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.**

2.4 One concern prompting this inquiry was that Australian aid ran a risk of failing on the grounds outlined above. While our aid could provide necessary immediate benefits, it could be directed towards projects that are not sustainable in the long term, and it could entail undesirable life-style effects, in particular, environmental damage. The Prime Minister confirmed Australia's concern about this matter in his July 1989 statement *Our Country Our Future*:

Australia accepts a responsibility to contribute to international efforts to help protect and repair global environmental degradation and promote ecologically sustainable development.³

2.5 Considerable attention has been paid recently to the notion of sustainable development. In its 1987 Report *Our Common Future*, the World Commission on Environment and Development (WCED) provided the following definition:

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts:

- the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given; and
- the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs.

Thus the goals of economic and social development must be defined in terms of sustainability in all countries – developed or developing, market-oriented or centrally planned. Interpretations will vary, but must share certain general features and must flow from a consensus on the basic concept of sustainable development and on a broad strategic framework for achieving it.⁴

The Department of the Arts, Sport, the Environment, Tourism and Territories (DASETT) advised that this goal required a commitment by both aid donors and recipients to ensure that development assistance projects do not compromise the long term viability of the recipient's natural environment and socio-economic structure; whenever possible, DASETT suggested, the region's capacity to sustain development should be enhanced.⁵

2.6 Australia, then, has accepted a humanitarian obligation to provide international aid on a sustainable basis. Importantly, as expressed by the Prime Minister, this includes an emphasis on environmental elements; ultimately, Australian aid is directed at improving the long term quality of life of recipients. AIDAB articulated the policy that incorporates these factors as follows:

The Australian international development assistance program gives prime importance to issues of equity and effectiveness, the well-being of people in developing countries and improvements in the standard of living. The maintenance of environmental quality through the sound management of natural resources is an essential component of human wellbeing.⁶

2.7 The Committee concurs with this policy. Nevertheless, as has been noted already, environmental degradation is clearly one possible effect of development aid. If Australia has a humanitarian obligation to provide aid, it has a similar obligation to ensure that the impact of that aid on the environment is minimal, if not benign. It could hardly be considered patronising on Australia's part to take this interest in the effects of its aid disbursements. Indeed, by international criteria we have an obligation to do so. For instance, the WCED Report advised that:

More external funding is also required, but it must come in ways that are sensitive to the environmental impacts. The point is that the reduction of poverty itself is a precondition for environmentally sound development. And resource flows from rich to poor – flows improved both qualitatively and quantitatively – are a precondition for the eradication of poverty.⁷

2.8 Importantly, Australia's responsibility to review its overseas aid program from this perspective applies equally to the role that Australia plays in international banks and the multilateral aid agencies of which it is a member. This is the point upon which this inquiry centres. An assessment is required of Australia's capability to fulfil these responsibilities.

2.9 Before proceeding with that task, however, we should note the other side of the aid obligation coin. This concerns the question of the extent to which Australian aid should be directed at projects specifically designed to repair or protect environments. That is, it is conceivable that Australia could adopt a policy requiring a certain proportion of its aid to be directed towards environmental conservation projects. (At present the policy centres on humanitarian assistance while having regard to environmental factors.)

2.10 The question of Australian aid for environmental projects is not specifically mentioned in the terms of reference for this inquiry. The Committee notes with approval, however, that the Australian Government has initiated a four year Environment Assistance Program (EAP) worth \$20 million. It has been established within the Australian aid program to foster over the long term greater priority for environmentally sensitive projects. According to the statement *Aid and the Environment* issued in July 1989, the EAP will also serve to supplement existing action such as contributions to regional or international bodies, and specific research by \$1.5 million in the first year (and maintain support over ensuing years).⁸

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

2.12 Another way in which Australia's aid program could help protect the environment would be to compensate developing countries for development foregone as a result of protecting some environments. Given that environmental damage is a shared global problem, the Committee accepts the need to compensate developing countries for adopting conservation practices which would benefit not only themselves but the wider community of countries, including donor states.

ENDNOTES

1. AIDAB Submission (No. 1), p. 7, Transcript of Evidence, p. 640.
2. Dr J Warford, Transcript of Evidence, p. 18.
3. *Our Country Our Future*, AGPS, July 1989, p. 15.
4. *Our Common Future*, op.cit., p. 43.
5. DASETT Submission (No. 42), p. 2, Transcript of Evidence, p. 822.
6. AIDAB Submission (No. 1), p. iii, Transcript of Evidence, p. 631.
7. *Our Common Future*, op.cit., p. 69.
8. *Aid and the Environment*, AIDAB Development Paper No. 3, July 1989, p. 9.

