

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**

December 1989

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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)

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.

SECTION 2

AUSTRALIAN DEVELOPMENT AID

CHAPTER THREE

AUSTRALIA'S FORMAL COMMITMENTS

(a) The Report of the World Commission on Environment and Development

3.1 The importance of maintaining an international climate capable of sustainable development was the theme of the WCED Report *Our Common Future*. This Report, according to the Commission's former Secretary-General, has influenced the agendas of the UN, Commonwealth Prime Ministers, the World Bank, public policy institutes, universities and national governments.

3.2 DASETT has advised the Committee that *Our Common Future* was endorsed in 1988 by the Australian Government 'in general terms'.¹ DASETT considered that the WCED Report was valuable in terms of confirming guidelines for environmental impact assessment, and concluded that:

AIDAB should declare a strong corporate commitment to the goal of environmentally sustainable development in line with the recommendations of the World Commission on Environment and Development.²

(b) World Conservation Strategy

3.3 Another formal obligation of this kind on Australia derives from the fact that this country was a participant in the consultations leading to the adoption of the *World Conservation Strategy* (WCS) in 1980. The WCS underlined the need to maintain the essential ecological process and life-support systems on which human survival depends; it advocated a reconciliation between conservation and development. AREA advised the Committee that the message of the WCS was:

that living resource conservation is essential if development and living standards are to be sustained.³

(c) National Conservation Strategy for Australia

3.4 The WCS forms the basis of the *National Conservation Strategy for Australia* (NCSA) which was drawn up by consensus at a National Conference and, as advised by AIDAB, formally endorsed by the Australian Government in June 1984.⁴ AIDAB has acknowledged that the NCSA recommends that the objectives arising out of the WCS be taken fully into account in Australia's dealings with other countries (including recipients of Australian development assistance).⁵

3.5 In AREA's view, the following NCSA statements are 'pertinent' to this inquiry:

'The continuous growth of human populations and the scale of their impact on the global environment make it imperative that a new sense of responsibility be accepted if the earth's essential ecological processes and life support systems are not to be threatened'.

'The purpose of the NCSA is to provide nationally agreed guidelines for the use of living resources by Australians so that the reasonable needs and aspirations of society can be sustained in perpetuity'.

'Australia's important role as a reliable supplier of food and resources is also relevant. Consistent with other objectives this can afford opportunities to minimise the extent of environmental degradation around the world. Trade also provides for the distribution of other economic benefits which themselves can facilitate global strategies of sustainable development'.⁶

3.6 AREA further advised that:

With regard to Australia's international obligations, the Strategy recommended that objectives would be greatly assisted if Australia acted to:

- (a) Strengthen consultative arrangements and information exchange between the Commonwealth and other government and non-government bodies concerning Australia's participation in international conservation agreements and programs.
- (b) Ensure that the objectives arising out of the NCSA and the WCS are taken fully into account in Australia's dealings with other countries.
- (c) Promote international understanding of the importance of the unique physical character and ecology of Antarctica and seek appropriate forms of management for the continent.

The NCSA also recommended methods of managing natural resources for sustainable yield while protecting life support systems. This included expanding reserves and habitat protection, controlling pollution, wastes and hazardous materials, ensuring that harvested stocks of terrestrial and aquatic living resources are sustainable, and conservation of soils and water.⁷

3.7 AREA concluded that the NCSA and WCS are clear commitments by the Australian Government that should be reflected in the operation of Australia's development assistance program.

(d) OECD Council Recommendations

3.8 AIDAB has drawn attention to the fact that, since 1982, Australia has participated in the consideration of environment and development issues in the OECD. AIDAB's submission (dated October 1987) confirmed that:

The World Conservation Strategy and the OECD recommendations provide a background for recent work within AIDAB aimed at developing a set of guidelines for environmental protection and resource management in Australian development assistance.⁸

(e) Environmental Screening Guidelines

3.9 Since the preparation of its submission in 1987, AIDAB has finalised this work that it had referred to. In June 1989, AIDAB published its environmental screening guidelines for development aid; this document, part of the Activity Guidelines series, is entitled *Environmental Assessment of Official Development Assistance*.

(f) Development Paper — Aid and the Environment

3.10 Further, in July 1989, AIDAB published Development Paper No. 3 *Aid and the Environment*. According to the Foreword, this Paper:

reaffirms Australia's commitment to ecologically sensitive sustainable development and the effective incorporation of the commitment into all stages of the Bureau's activities.⁹

(g) Environmentally-oriented Treaties

3.11 AIDAB has advised that Australia is party to eighteen environmentally oriented international treaties, conventions, protocols and agreements. (The list provided by AIDAB¹⁰ is at Appendix 3.) They range from the International Convention for the Regulation of Whaling, Washington 1946, to the Montreal Protocol on Substances that Deplete the Ozone Layer, 1988.

3.12 Further, AIDAB has listed three other conventions signed by Australia but not yet ratified. They are:

- Convention on Conservation of Nature in the South Pacific, Apia 1976;

- United Nations Convention on the Law of the Sea, Montego Bay 1982; and
- Convention for the Protection of the Natural Resources and the Environment of the South Pacific Region, Noumea 1986.

3.13 In each case (although in several different ways) these commitments restrain Australia from actions having a negative environmental consequence, or oblige Australia to take positive action. Importantly, unless other regional countries enter into, and comply with, agreements of this kind that are open to them, it remains possible for Australia to provide aid to a country that then acts against the international interest in some respect proscribed by an agreement. (For example, it is conceivable that an aid recipient having been allocated funds towards, say, a fishing vessel could purchase a vessel capable of conversion for whaling and ultimately engage in that activity.)

3.14 Of course, in the event that this transpired Australia would not be in breach of its international commitments: Australia would not have taken any proscribed action.

3.15 Ensuring that such events remain unlikely is the responsibility of AIDAB officers; it is expected that they would be sensitive to such possibilities. The prevention of such undesirable events, then, is policy dependent and relies on the professional judgement of AIDAB officers. In such contexts, of course, the substance of the international agreements entered into by Australia is particularly valuable as policy guidance: while not enforceable in a legal sense, these agreements indicate the attitude of the Australian Government to major global environment questions.

Conclusion

3.16 The Committee understands that the substance of Australia's formal obligations for the environmental soundness of development aid has never been set out comprehensively and published.

3.17 Accordingly, the Committee recommends that AIDAB publish a document detailing Australia's formal aid obligations, particularly those relating to the environment.

3.18 Further, the Committee recommends that the document should include a comprehensive commitment to the Brundtland (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.

ENDNOTES

1. DASETT Submission (No. 42), p. 36, Transcript of Evidence, p. 857.
2. DASETT Supplementary Submission (No. 42A), p. 8, Transcript of Evidence, p. 900.
3. AREA Submission (No. 28), p. 3, Transcript of Evidence, p. 342.
4. AIDAB Submission (No. 1), p. 30, Transcript of Evidence, p. 663.
5. *ibid.*
6. AREA Submission (No. 28), p. 3, Transcript of Evidence, p. 342.
7. *ibid.*, p. 4, Transcript of Evidence, p. 343.
8. AIDAB Submission (No. 1), p. 31, Transcript of Evidence, p. 664.
9. *Aid and the Environment*, *op.cit.*, p. 3.
10. Attachment to letter from Acting ADG, AESS Branch, AIDAB, 9 December 1988.

CHAPTER FOUR

THE PROVISION AND MONITORING OF AUSTRALIAN AID

4.1 In its review of AIDAB and the overseas aid program, the Joint Committee on Foreign Affairs, Defence and Trade observed that the most important annual event in the shaping of Australia's aid program is the bringing down of the Budget.¹

4.2 The current relevant paper, *Australia's Overseas Aid Program 1989-90* (Budget Related Paper No. 4), provides the aid budget advice on which this chapter is based.

4.3 Australia allocated \$1163.4 million in total net official development assistance (ODA) for 1989-90. The allocation specified is shown in Table 1.²

4.4 Papua New Guinea (PNG) will receive about twenty-seven per cent of Australia's 1989-90 aid program, clearly the largest share. Significantly, Australian and Papua New Guinean Prime Ministers signed the Treaty on Development Co-operation on 24 May 1989, confirming Australia's continuing commitment to PNG's development and security.

Country Programs

4.5 Australian aid to PNG is provided under the Country Programs allocation, one of the two major categories of aid; the other major category is Global Programs. Of the Country Programs allocation, PNG received forty-two per cent for 1989-90: this is shown in Table 2.³

4.6 For the purposes of this inquiry, the significant point is that almost all of the funds provided to the major recipient of Australian ODA were provided as untied budget support; 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.)

4.7 Over the next five years, the Budget Paper indicates that the proportion of programmed aid for PNG will rise. In real terms, however, the change will be slight – budget support will drop to \$260 million and programmed activities will be expanded from \$20 million to \$35 million in 1993-94. The point remains that over that period an amount equivalent to more than Australia's annual ODA allocation (in 1989-90 terms) will have been spent in ways not subject to assessment on environmental factors.

4.8 The Committee considers that this is regrettable. The Committee appreciates the circumstances that prevailed leading to untied grants for PNG, but Australia should be able to make known to PNG its concerns about environmental degradation. While Australian budget support for PNG is confirmed by the Treaty on Development Co-operation, the Committee considers that AIDAB should utilise the appropriate forums to express to PNG Australia's concerns that its budget support not result in damage to PNG's environment. Those expressions of Australia's view should remain confidential out of respect for PNG's sovereignty; however, they could occur during talks ranging from officials-level to ministerial level, if appropriate.

4.9 PNG aside, ODA to other countries is entirely for programmed aid. Such aid, which is provided to three categories of countries, is able to be monitored. Those categories are the South Pacific, South East Asia and Other Regions (which includes China, Africa and the Middle East). In addition there are Cross Regional Programs.

4.10 South Pacific recipients of ODA have considerable opportunity to apply those funds in ways that could either enhance or damage the environment. The countries of the South Pacific are diverse, but most have small land areas and small populations with high growth rates. Many of them are elevating tourism to a priority industry. And they are susceptible to natural disasters that can result in environmental damage. This is illustrated⁴ in Table No. 3 for the South Pacific.

4.11 Notably, this table indicates allocations to regional organisations under the Country Programs vote. Budget Paper No. 4 advises that:

Australia will continue to support important regional organisations in the South Pacific. They include the South Pacific Commission, the South Pacific Forum Secretariat (formerly the South Pacific Bureau of Economic Co-operation), the Forum Fisheries Agency (FFA), the University of the South Pacific (USP) and the Committee for Co-ordination of Joint Prospecting for Mineral Resources in South Pacific Offshore Areas (CCOP/SOPAC). Assistance through regional organisations is directed towards sectors which can be co-ordinated on a regional basis, complementing our government-to-government assistance. Areas in which Australia currently assists regional organisations

include telecommunications, trade, transport, health and energy. Assistance for the South Pacific Regional Environmental Program (SREP) will be substantially increased.⁵

Clearly, ODA outlays in some of these areas could entail environmental consequences. However, this is perhaps not the case for outlays under the Regional/Multicountry item of the South East Asia program. There:

The emphasis of other South-East Asian regional programs supported by Australia is on improvement of the region's capacity to meet its own training needs. The main recipients are the Asian Institute of Technology, the South-East Asian Ministers of Education Centres and International Atomic Energy Agency projects. In addition in 1989-90 around \$2m will be provided for health initiative activities in the region.⁶

4.12 The disbursement of Australian ODA through multilateral organisations was the subject of comment noticed by the Joint Committee Report on AIDAB. That Report advised that Australian aid is no longer easily described in terms of its bilateral or multilateral expenditure:

For example, multilateral channels may be used to achieve Australian country program objectives.⁷

4.13 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.

4.14 This principle should also apply to Australian involvement in multilateral aid agencies assisting countries in South East Asia. Australia has allocated \$28.6 million for such aid in 1989-90. Budget Paper No. 4 presents the figures for South East Asia as shown in Table No. 4.⁸ Again, there is considerable scope for this aid to have an environmental consequence. The Budget Paper advises that agricultural or rural development (or both) are part of Australia's aid program for Indonesia, the Philippines, Thailand and Malaysia. Land use and conservation programs also feature, as does irrigation and livestock farming for Laos.⁹

4.15 Similarly, Australian ODA with China, which occurs under the Other Regions category, includes agriculture, energy, forestry, minerals and urban development. The Budget Paper table is shown as Table 5.¹⁰

4.16 The remainder of Australia's Country Program ODA disbursements occur as Cross Regional Programs.¹¹ This is shown in Table 6.

Global Programs

4.17 While Country Programs are based on aid strategies for individual countries, through Global Programs Australia contributes to development activities not planned on a country-by-country basis.

4.18 The Emergency and Refugee Assistance category is of significance for this inquiry in that funds available under this category can be used to repair damage from natural disasters. The islands of the South Pacific, for example, are particularly vulnerable to cyclone damage. The Budget Paper table for this category is shown in Table 7.¹² While some international organisations appear in this table, the major such organisations are listed in a separate table in the Budget Paper, shown in Table 8.¹³

4.19 Further, under Global Programs the Australian Government encourages the involvement of a wide range of Australian interests in development activities. Among other programs, non-government organisations (NGOs) are funded under this category.¹⁴ This is shown in Table No. 9. Notably, NGOs provide development assistance from funds raised directly in the community on a much larger scale than the subsidies they receive from the Government.

Corporate Services

4.20 A third category of allocated aid expenditure is to maintain the AIDAB organisation and manage the ODA program. This is shown in Table No. 10.¹⁵

Recommendations

4.21 **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 of concern should remain confidential, but notes that they could be made up to ministerial level, if appropriate.**

4.22 **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.**

4.23 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 using Australian ODA funds; they would also advise projected action, where necessary.

BUDGET PAPERS

Table 1: The Australian Aid Program 1985-86 to 1989-90 (\$m)

Program Element	Expenditure ¹				Estimate 1989-90
	1985-86	1986-87	1987-88	1988-89	
COUNTRY PROGRAMS					
Papua New Guinea	319.3	325.3	299.3	303.9	309.4
South Pacific	53.4	71.9	70.6	89.1	85.3
South East Asia	120.4	112.6	129.1	129.8	137.6
Other regions	70.6	64.4	72.9	106.0	124.7
Cross Regional Programs	107.9	93.8	92.3	87.7	76.0
Total Country Programs ²	671.6	668.0	664.3	716.5	733.0
GLOBAL PROGRAMS					
Emergencies and Refugees	47.1	36.1	41.4	48.5	55.2
International Organisations	190.7	154.7	166.1	268.2	158.5
Community and Commercial ³	48.9	46.3	67.8	85.4	141.2
CORPORATE SERVICES	16.6	19.5	22.4	23.9	30.4
Expenditure by other Government Bodies, ⁴					
Miscellaneous Items, Revenue and ODA adjustments	56.1	51.0	57.4	52.1	45.1
TOTAL NET ODA	1 031.0	975.6	1 019.6	1 194.6	1 163.4
Total net ODA at constant prices	1 190.8	1 048.5	1 019.6	1 094.9	1 003.2
Real change over previous year (%)	-4.8	-11.9	-2.8	7.4	-8.4
ODAGNP ratio (%)	0.45	0.39	0.36	0.37	0.33

¹Since it was necessary to redistribute expenditure to a new program structure in 1987-88, completely accurate expenditure figures for earlier years have not always been possible.

²The amounts shown for the regional allocations are not total aid flows to the regions. They represent only those forms of aid which are jointly programmed by Australia and the recipient as 'country programs'. They include, for example, technical assistance and project aid, training, commodity and co-financing. They do not include other aid flows, such as the student subsidy, expenditure by departments or agencies other than AIDAB, emergency relief, aid through non-government organisations, or support under the Women in Development Fund.

³Includes the Australian Centre for International Agricultural Research (ACIAR).

⁴The amount included as the estimate for expenditure by other Government bodies covers activities undertaken by Commonwealth agencies other than AIDAB and by State governments. This expenditure is classified as ODA but is not funded from AIDAB's appropriations. Included in this amount for example are contributions to some international financial institutions (IFIs), which are carried in Treasury appropriations. Also included is expenditure on development related activities undertaken by the Department of Defence as part of Australia's Defence Co-operation Program.

Table 2: Country Program to Papua New Guinea 1985-86 to 1989-90 (\$m)

Program Element	Expenditure				Estimate 1989-90
	1985-86	1986-87	1987-88	1988-89	
Budget Support	302.8	304.5	275.0	275.0	275.0
Programmed Activities ¹	4.1	7.7	9.9	14.4	19.3
Retirement Benefits	12.4	13.1	14.4	14.5	15.1
Total²	319.3	325.3	299.3	303.9	309.4

¹Does not include the PNG component of the student subsidy, estimated at \$0.9m in 1985-86, 1986-87 and 1987-88 and \$0.7m in 1988-89 and 1989-90.

²Does not include some minor AIDAB expenditure items or expenditure by departments other than the Department of Foreign Affairs and Trade

Table 3: Country Program to the South Pacific to 1985-86 to 1989-90 (\$m)

Program Element	Expenditure				Estimate 1989-90
	1985-86	1986-87	1987-88	1988-89	
Country					
Fiji	12.1	12.7	13.4	16.8	12.8
Vanuatu	5.4	8.7	7.8	14.1	9.5
Solomon Islands	5.5	6.6	9.1	8.6	9.5
Western Samoa	5.3	5.7	9.1	7.8	8.2
Tonga	5.1	5.8	7.6	7.5	7.5
Kiribati	2.4	2.8	2.7	3.1	3.3
Tuvalu	1.2	9.0	1.4	1.3	1.4
Cook Islands	0.4	1.0	1.3	0.9	1.0
Regional/Multicountry					
Micronesia	4.6	6.0	3.5	3.0	3.6
SPC ¹	2.7	2.7	3.0	2.5	3.1
ACPAC	3.4	3.8	2.4	1.9	2.6
Forum Secretariat ²	1.6	1.5	2.1	1.7	2.1
FFA	0.6	0.7	0.4	0.9	0.9
CCOP/SOPAC	0.5	0.4	0.5	0.7	0.8
World Bank Co-operation	-	0.4	0.4	0.7	1.0
Other Regional and Multicountry Programs ³	2.2	3.4	5.0	16.4	16.1
Total	53.4	71.9	70.6	89.1	85.3

¹Expenditure includes core and extra-budgetary contributions and project subsidies (including South Pacific Regional Environment Program).

²Previously called SPEG. Expenditure includes core and extra-budgetary contributions and project subsidies.

³For 1988-89 and 1989-90 includes \$3.3m and \$2.2m respectively for the payment of the Overseas Student Charge for private South Pacific students studying in Australia. For previous years, those costs have been attributed to individual recipient countries.

Table 4: Country Program to South East Asia 1985-86 to 1989-90 (\$m)

Program Element	Expenditure				Estimate 1989-90
	1985-86	1986-87	1987-88	1988-89	
Country					
Indonesia	42.0	40.4	43.1	45.4	48.3
Philippines	13.5	21.4	25.1	26.7	28.2
Thailand	23.3	18.0	19.2	20.5	21.6
Laos	3.8	5.8	6.1	6.4	6.8
Myanmar (Burma)	11.6	9.5	11.1	5.5	2.0
Malaysia	1.2	1.7	0.9	0.4	2.0
Singapore,	1.4	0.4	0.4	0.2	0.1
Regional/Multicountry					
Indo-China	8.5	7.0	9.1	12.3	13.8
AAECP	11.1	6.2	6.3	6.4	6.0
Other SEA Regional	4.1	2.2	8.0	6.0	8.8
Total	120.4	112.6	129.1	129.8	137.6

Table 5: Country Program to Other Regions 1985-86 to 1989-90 (\$m)

Program Element	Expenditure				Estimate 1989-90
	1985-86	1986-87	1987-88	1988-89	
China	15.7	15.1	18.3	18.4	21.1
South Asia	17.7	15.2	16.0	25.8	22.7
Indian Ocean	5.4	4.8	5.5	7.7	9.6
Southern Africa	11.4	9.1	15.0	35.9	49.1
Total	70.6	64.4	72.9	106.0	124.7

Table 6: Cross Regional Programs 1985-86 to 1989-90 (\$m)

Program Element	Expenditure				Estimate 1989-90
	1985-86	1986-87	1987-88	1988-89	
Training Support	4.0	2.8	2.8	1.4	1.8
WID Fund	0.5	0.5	0.7	0.7	0.7
Direct Aid Program	1.9	1.6	2.4	2.6	2.5
World Bank Co-operation	-	0.4	1.0	1.9	2.1
Program Coordination/Review	0.7	0.5	0.3	0.7	1.4
Student Subsidy	100.8	88.0	85.2	80.2	56.7
Equity and Merit Scholarship Scheme	-	-	-	-	3.9
Fees to institutions	-	-	-	-	6.0
Other costs	-	-	-	0.1	0.8
Pilot Equity Scholarship Scheme	-	-	-	0.1	
Total	7.1	93.8	92.3	87.7	76.0

Table 7: Emergency and Refugee Assistance 1985-86 to 1989-90 (\$m)

Program Element	Expenditure				Estimate 1989-90
	1985-86	1986-87	1987-88	1988-89	
Emergency Aid	4.5	2.8	8.4	9.1 ¹	9.5
Relief and Refugees	36.3	28.7	26.7	29.4	39.5
Relief Programs	4.7	4.0	4.7	7.0 ²	0.5
UNHCR ³					
Total	47.1	36.1	41.4	48.5	55.2

¹In addition to the 1988-89 Emergency Aid expenditure of \$9.1m, a \$500 000 contribution to the Armenian earthquake appeal was funded from the emergency appropriation. This contribution was not reportable as ODA because the USSR is not classified as a developing country.

²Expenditure represents Contributions mainly to core/general programs.

³Includes \$2.1m advance payment for UNHCR to help alleviate cashflow problems.

Table 8: Contributions to International Organisations 1985-86 to 1989-90 (\$m)

Program Element	Expenditure					Estimate 1989-90
	1985-86	1986-87	1987-88	1988-89		
International Financial Institutions						
ADF	23.0	21.6	11.7	52.5	21/3	
IDA	62.5	65.6	70.6	126.8	43.0	
IFAD	2.8	1.7	2.5	1.0	1.0	
United Nations						
WFP	61.5	33.6	41.5	44.0	44.0	
UNDP	16.0	14.0	15.0	15.8	16.8	
UNICEF	2.5	2.5	3.1	3.3	3.5	
UNFPA	1.1	0.2	0.6	0.7	1.2	
UN Women's Fund	0.1	-	0.3	0.3	0.4	
IAEA	1.1	0.6	0.6	0.6	1.0	
UNCDF	-	-	-	0.4	0.4	
UNEP	0.5	-	0.3	0.3	0.3	
UNFDAC	0.2	0.1	0.4	0.4	0.7	
Other UN	-	-	0.1	0.2	0.8	
Commonwealth	9.0	7.8	10.3	10.8	11.9	
International Agricultural Research	7.5	4.7	5.5	6.1	6.6	
International Health Programs	1.6	1.3	2.4	3.6	4.0	
International NGOs	1.4	1.1	1.3	1.4	1.6	
Total	190.7	154.7	166.1	268.1	158.5	

Table 9 - Community and Commercial Program 1985-86 to 1989-90 (\$m)

Program Element	Expenditure				Estimate 1989-90
	1985-86	1986-87	1987-88	1988-89	
NGOs	7.1	5.1	7.7	8.7	10.4
Volunteer Programs	2.0	2.0	2.6	3.3	3.8
ACFOA	0.2	0.2	0.3	0.3	0.3
Development Education/Public Information	0.3	0.2	0.4	0.5	0.5
ACIAR	11.7	12.9	14.8	15.6	17.4
IDP	7.2	6.2	7.1	7.6	8.5
Academic Research/Seminar Support	1.4	1.5	2.1	2.2	2.7
DIFF	16.4	15.6	30.0	42.9	93.3
International Trade Development	2.6	2.6	2.9	4.2	4.3
Total	48.9	46.3	67.8	77.8	141.2

Table 10: AIDAB's Corporate Services 1985-86 to 1989-90¹

Program Element	Expenditure (\$m)				Estimate 1989-90
	1985-86	1986-87	1987-88	1988-89	
Running Costs					
Salaries and Allowances	14.5	16.3	16.3	18.8	19.5
Administrative Expenses	1.8	2.7	5.4	4.3	6.9
ADP Equipment	0.3	0.4	0.7	0.8	3.5
Property Operating Expenses ²	-	-	-	-	3.5
Total	16.6	19.4	22.4	32.9	30.4
Average Staffing Level (No.)	437	475	482	477	542

¹In some other budget documentation, figures for AIDAB's corporate services have been disaggregated and attributed to the three sub-programs: country programs, global programs and corporate services.

²Prior to 1989-90 expenditure was carried in appropriations of the Department of Administrative Services.

ENDNOTES

1. *A Review of the Australian International Development Assistance Bureau and Australia's Overseas Aid Program (AIDAB Review)*, AGPS, 1989, p. 50.
2. *Australia's Overseas Aid Program 1989-90*, Budget Related Paper No. 4, p. 5.
3. *ibid.*, p. 10.
4. *ibid.*, p. 12.
5. *ibid.*, pp. 12-13.
6. *ibid.*, pp 16-17.
7. *AIDAB Review*, op.cit., p. 66.
8. 1989-90 Budget Related Paper No. 4, p. 14.
9. *ibid.*, pp. 15-16.
10. *ibid.*, p. 17.
11. *ibid.*, p. 19.
12. *ibid.*, p. 22.
13. *ibid.*, p. 23.
14. *ibid.*, p. 25.
15. *ibid.*, p. 29.

CHAPTER FIVE

AUSTRALIAN AID AND THE ATTITUDE OF RECIPIENTS

5.1 In 1987 the Report of the World Commission on Environment and Development observed that bilateral aid agencies had given more attention to the environmental dimensions of their programs over the previous decade.¹ AIDAB's submission advises that this is true for Australia.² Recent Australian action in this regard has included the following.

Bilateral Aid

5.2 Proposed projects for Australian funding are assessed in social, cultural, economic, environmental, institutional and technical terms. In June 1989, AIDAB issued *Environmental Assessment of Official Development Assistance* (see paragraph 3.9). The Committee understands that these guidelines were agreed with the Department of the Arts, Sport, the Environment, Tourism and Territories, and will be part of the Memorandum of Understanding (MOU) concerning the *Environmental Protection (Impact of Proposals) Act, 1974 (Cth)* that is being negotiated between DASETT and AIDAB (see paragraph 6.30).

Education and Training

5.3 AIDAB supports training which can lead to awareness of environmental protection. The training can take place both in-country and within the Australian tertiary education system.

5.4 According to AIDAB's figures there were 1496 AIDAB-funded students trained in Australia in 1986-87.³ While only two of those took the formal subject 'Environmental Protection', some 616 pursued environmentally relevant studies. These courses vary from three months to one or more years and include agronomy, soil science, forestry, demography and public health.

5.5 Further, AIDAB advised that through the International Training Institute (ITI) it funds a number of training programs for middle and senior level public servants from developing countries. Some of these programs contain environmental components.⁴

5.6 AIDAB also confirmed that there is an environmental studies component in the International Development Program of Australian Universities and Colleges (IDP). The IDP is funded predominantly through AIDAB (\$6.2 million in 1986-87) and has assisted studies in a number of environmentally related disciplines.⁵

5.7 AIDAB also provides financial and institutional support for a wide range of seminars, symposia and workshops. Of the 72 meetings supported by AIDAB in 1986-87, at a cost of \$416 000, seven were directly concerned with environmental management and a further 12 related to environmentally significant sectors such as agriculture, forestry, fisheries and urban development. It has also been pointed out by DASETT that bilateral environmental agreements have a role to play in training:

For example, the agreement between Australia and China on mutual co-operation in environmental protection has led to increased communication and co-operation on such issues as dryland management, and to exchanges between institutions in science, technology and other fields.⁶

Food Aid

5.8 AIDAB advised that in 1986-87 food aid was valued at \$70 million.⁷ AIDAB noted that food aid can be used to improve environmental conditions. It can release the population from the need to continue destructive land use and permit land rehabilitation measures that will increase long-term food security. According to AIDAB this can be achieved either through food-for-work activities or by investing funds (derived from the sale, in-country, of food aid) in environmentally oriented projects. AIDAB quotes the Land Rehabilitation and Reforestation Project in Ethiopia as a good example.

5.9 World Vision of Australia cautioned, however, that the greatest role of food aid should be in drought relief and rehabilitation. Handled in the wrong way, food aid may reduce the local people's ability to control their own lives and, by leading to in-migration, can prevent environmental recovery.

Assistance to Non-Government Organisations (NGOs)

5.10 AIDAB has advised that, through its NGO cooperation program, it assists NGOs involved in developing countries.⁸ The objective is to strengthen the links between economic development, poverty alleviation and sound environmental protection. Further, AIDAB has, on occasion, drawn on the expertise of the NGO community in promoting sustainable development at the local level. Funds may be provided to assist NGOs implement their own proposals; about 120 NGOs are eligible for project subsidies.

5.11 The Committee was presented with a varied picture on NGOs. Some witnesses suggested that funding priority should be given to non-government groups concerned with the environment and indigenous peoples.⁹ Others went so far as to recommend that Australia cut its funding of development banks and instead fund AIDAB to develop 'close liaisons with NGOs'.¹⁰ World Vision suggested that AIDAB:

should look to the NGOs who operate at the grass-roots level and who have a sensitivity to the impacts on both people and the environment which any project must bring.¹¹

This view was directly contradicted by AREA, itself an NGO; AREA stated:

It is our opinion that NGOs (and ACFOA) are almost totally lacking in environmental expertise and do not perform even the most cursory of environmental assessments.¹²

5.12 This Committee accepts, as did the Joint Committee on Foreign Affairs, Defence and Trade, that the capacity of NGOs varies enormously, from the larger, development-dedicated NGOs to much smaller organisations. Nevertheless, the Joint Committee pointed out that:

Since the *Jackson Report*, AIDAB and NGOs have worked together to improve the quality of NGO projects receiving government subsidies. The funding criteria have been revised, and their development focus sharpened.¹³

5.13 While 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 in relation to NGOs and environmental matters, there should be 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 cooperation. Those bodies are the AIDAB-NGO Committee for Development Co-operation and the NGO Development Projects Appraisal Panel which examines proposals seeking AIDAB support.

The Attitude of Aid Recipients

5.14 An important premise behind the terms of reference of this inquiry is that, if Australian aid disbursements can be monitored properly, then Australia can have a significant influence on the ways in which such funds are spent. That is, developing states will either readily agree, or be persuaded, to use Australian development in ways not deleterious to the environment.

5.15 The Acting Director-General of AIDAB supported this premise albeit with qualification. Dr McCawley advised the Committee that, in AIDAB's view, Australia's bilateral aid program can contribute to better environmental management in recipient countries.¹⁴ He qualified this view:

I should say we can contribute because it is an enormous problem and there really is no way that Australia can really do much more than make a marginal contribution to tackling these enormous problems in the region.¹⁵

The point remains; the belief is widespread (and shared by AIDAB) that if Australia can monitor its aid adequately, it can influence the environmental impact of aid in developing countries. Dr Warford from the World Bank provided support for this view by suggesting that:

Because of the increasing coincidence between economic and environmental objectives and policies designed to address them, developing countries see at first-hand that it is not a question for them of environment or development; they see soils and tropical forests eroding, and the fairly short run consequences of environmental degradation.¹⁶

5.16 It could be expected, then, that aid recipients, realising the important link between economic and environmental success, would have devised laws and established procedures to ensure the environmental acceptability of economic development. Dr McCawley advised the Committee that:

most developing countries and all of Australia's major aid recipients now have some type of environmental legislation, although I must say it is of varying effectiveness.¹⁷

And the AIDAB Submission confirmed:

By 1985, one hundred and ten countries had some type of environmental legislation compared to only ten in 1972. Australia's major aid recipients are among these countries.¹⁸

Further, Mr Terrell from AIDAB noted that:

where there is legislation relating to the environment in a country with which we are dealing, the recipient government would be required, of course, to comply with its own legislation. So there is no question of exemption from existing legislation because something is being funded through the aid program.¹⁹

5.17 This claim could be misleading. Recipient countries are required to observe their own laws, but not by Australia. Dr McCawley clarified the position by advising that AIDAB's 'country papers' cover environmental issues, where appropriate, but do not detail legal obligations:

The presumption that we operate under in the aid program is the observance of the laws of any particular country; we work closely with the recipient nations. The presumption is that if we are likely to break the law, we presume that we are likely to be told about it pretty quickly.²⁰

5.18 The Committee regards this situation as unsatisfactory. While in almost all cases a recipient country would, perhaps, advise Australia if an aid project ran the risk of breaching domestic legislation, Australia needs to demonstrate that it is properly concerned not to be in breach, albeit unknowingly. At some stage, however unlikely, there remains the possibility that a recipient country would overlook its own environmental legislation in order to secure aid funds.

5.19 Accordingly, the Committee considers that, as a matter of course, AIDAB should enquire of recipient countries whether proposed projects would comply with all domestic environmental legislation. Australia's credentials on this matter need to be above relying on the initiative of recipient states to draw such matters to Australian attention.

5.20 Further, even where recipient countries have environmental legislation, some may not have an adequate capability to apply it. In its submission, AREA claimed that:

There is an urgent need for the implementation of bilateral and multilateral programs that are based on developing the environmental planning capabilities of Third World countries.²¹

DASETT advised that developing countries have varying mechanisms for environmental assessment and varying approaches and attitudes to the implementation of those mechanisms.

In broad terms, South-east Asian countries are the most advanced in terms of environmental awareness in implementing development programs; next comes Latin America, followed by the Middle East and finally Africa.²²

It is significant that it is Australia's adjacent region, South East Asia, which is most advanced in considering the environmental impact of developing programs. Indeed, DASETT observed that:

As much of Australia's aid is directed to countries in the South-east Asian region, it is important that the environmental quality of our assistance fulfils the expectations of the recipients.²³

5.21 In its Supplementary Submission, DASETT recommended that recipient country implementation of environmental awareness could be assisted by:

increased provisions for training and expanding in other ways the EIA capability of aid receiving countries.²⁴

Dr Pfanner had a similar recommendation:

Governments in the Third World need to know the environmental costs of development projects in order to weigh alternative courses of action. Australia should seriously consider how it could help these governments with environmental impact studies early in the planning stages of such projects.²⁵

On this point the Committee notes that the World Bank requires its aid recipients to prepare an environmental assessment for some projects. Dr Warford confirmed that:

What we are attempting to do is to make sure that the environment is treated in the same way as we treat the economic, financial, managerial and technical feasibility approaches, that is, to build it into the project process.²⁶

5.22 Australia's experience in this regard has not been straightforward; it would be very difficult for Australia to require the preparation of environmental impact assessments by client governments in the way practised by the World Bank; significant resistance could be anticipated if that course were followed.

5.23 The reason for this judgement stems from the fact that AIDAB has advised that the Australian policy has met with some resistance when advocated in World Bank forums:

Our Executive Director at the World Bank, who is at present a New Zealander, is quite clear on what the policies of the Australian Government are. In an area such as the environmental area, I think he really does push quite a tough line, to the extent that executive directors from developing countries, it is clear, reading between the lines, do not particularly appreciate some of this. It is clear in their responses, replies and statements that there is an issue of sovereignty here and they are indicating that they think that some of these discussions are getting close to what they would regard as issues of sovereignty.²⁷

In its submission, AREA noted a similar concern in that objections raised to upgrading the environmental sectors of development assistance include that recipient nations regard requirements for environmental safeguards as a form of 'environmental imperialism'.²⁸

5.24 The Committee accepts the concern of some recipients of Australian development assistance that there is a potential for aid to be provided in ways that could be regarded as patronising if not an infringement of the sovereign right of nations to determine how to conduct their affairs. This could be the case even if some development projects are entirely dependent on aid for funding.

5.25 That said, there are two valid responses to this possible concern. First, the aid provided by Australia is determined as a consequence of a two-way process. Recipient nations identify their requirements and Australia assesses its ability to meet them. Where the two coincide a project can be explored for feasibility. ACFOA suggested that because this is the way that Australian development aid is allocated the term 'development co-operation' is to be preferred to 'aid'.²⁹ The point is that there is no necessity for Australian aid to be regarded as being provided under conditions of 'environmental imperialism' given that it is dispensed under a process of development cooperation. Presumably AIDAB will always present offers of Australian development assistance in that way.

5.26 Second, the notion of development cooperation, by the same token, does not preclude the proper partnership and contribution of Australia on a range of issues connected with the circumstances around which the development aid is provided. As a country with the kind of national integrity that views development aid as a necessary part of its international role, Australia should maintain its standards in this regard. And one of those standards concerns the environmental viability of projects that are sponsored. AREA put the same point, albeit somewhat more bluntly, when it suggested that AIDAB:

has a responsibility to ensure that Australia's development assistance is provided in a framework that is consistent with the views of the Australian community to the conduct of activities within Australia.³⁰

5.27 Of course, it always remains possible for developing states to seek funding elsewhere for projects that Australia will not support because these projects do not comply with the standards that Australia has adopted on issues including the environment. Other aid providers may cooperate under those circumstances in order to obtain the strategic and political advantages that can accompany such assistance.

5.28 There is an argument based on this fact which suggests that Australia under such circumstances should modify its environmental scruples because the (environmentally-suspect) projects will be funded anyway, and perhaps by a country whose political influence Australia would not welcome in the region. The Committee, however, regards such an argument as morally bankrupt. That another country will perform a questionable service in the absence of Australia doing so is no reason for Australia to compromise its standards. Indeed, the fact that Australia

adheres to its standards could influence a number of other countries to adopt the same standards. There even remains the possibility that the potential recipient could come to agree with the position that Australia had adopted.

5.29 Australia then, must maintain its standards, including those with regard to potential environmental damage, and yet preserve scope to seek the agreement of aid recipients to the devising of environmental impact assessments by Australian officials for projects that could have a significant effect on the environment. The next chapter pursues questions about Australian legislation on this point.

Recommendations

5.30 **The Committee recommends that AIDAB environmental experts serve on both the**

- **AIDAB-NGO Committee for 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.

5.31 **The Committee recommends that AIDAB seek from potential recipient countries:**

- **advice whether there is domestic environmental legislation relevant to the project; and**
- **for any proposed project, confirmation that it is unlikely to breach such legislation.**

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

5.33 **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.**

ENDNOTES

1. *Our Common Future*, op.cit., p. 340.
2. AIDAB Submission (No. 1), p. 7, Transcript of Evidence, p. 640.
3. *ibid.*, Appendix 4, p. 41, Transcript of Evidence, p. 713.
4. *ibid.*, p. 11, Transcript of Evidence, p. 644.
5. *id.*
6. Submission (No. 42), p. 34, Transcript of Evidence, p. 854.
7. AIDAB Submission (No. 1), p. 11, Transcript of Evidence, p. 644.
8. *ibid.*, p. 12, Transcript of Evidence, p. 645.
9. University of NSW Wilderness Society Submission (No. 7).
10. Rainforest Information Centre Submission (No. 20), p. 14, Transcript of Evidence, p. 951.
11. World Vision of Australia Submission (No. 17), p. 28, Transcript of Evidence, p. 294.
12. AREA Submission (No. 28), p. 20, Transcript of Evidence, p. 359.
13. AIDAB Review, op.cit., p. 86.
14. Dr P McCawley, Transcript of Evidence, p. 766.
15. *id.*
16. Dr J Warford, Transcript of Evidence, p. 8.
17. Dr P McCawley, Transcript of Evidence, p. 766.
18. AIDAB Submission (No. 1), p. 5, Transcript of Evidence, p. 638.
19. Mr C Terrell, Transcript of Evidence, p. 787.
20. Dr P McCawley, Transcript of Evidence, p. 788.
21. AREA Submission (No. 28), p. 23, Transcript of Evidence, p. 362.
22. DASETT Submission (No. 42), p. 14, Transcript of Evidence, p. 834.
23. *id.*
24. DASETT Supplementary Submission (No. 42A), p. 9, Transcript of Evidence, p. 901.
25. Dr D Pfanner Submission (No. 5), p. 7, Transcript of Evidence, p. 616.
26. Dr J Warford, Transcript of Evidence, p. 9.
27. Dr P McCawley, Transcript of Evidence, p. 784.
28. AREA Submission (No. 28), p. 25, Transcript of Evidence, p. 364.

29. Mr R Rollason, Transcript of Evidence, p. 1216.
30. AREA Submission (No. 28), p. 25, Transcript of Evidence, p. 364.

CHAPTER SIX

AUSTRALIAN ENVIRONMENTAL LEGISLATION

6.1 Two issues have arisen before the Committee concerning the application of Australian law to development aid. The first concerns whether Australian aid projects should conform with the standards endorsed by Australian legislation. Second, the question has arisen whether Australian legislation in fact applies to the projects funded by Australian development aid.

The Environmental Standards for Australian Development Aid

6.2 Australia has both Commonwealth and State environmental legislation governing matters such as land-use planning, pollution, waste disposal, hazardous substances, the conservation of natural and cultural resources, resource allocation and development.¹

6.3 Several organisations and authorities argued that Australian environmental standards should apply to the disbursement of Australian development aid. The Working Group on the Environmental Effect of Overseas Aid advised that:

At the very least relevant Australian environmental codes and standards should apply to all projects; preferably adapted to the particular geographic area and supplemented with UNEP, WHO and specific regional standards.²

Further, the Conservation Council of South Australia recommended that:

The details of the development projects being assisted should conform with Australian policy and legislation. Where details would be subject to State or Territory rather than Commonwealth policy or legislation, the standard applied should be the most environmentally protective and stringent applicable in any Australian State or Territory.³

And DASETT confirmed that:

Australia should be seen to be applying in its aid programs the same tests of environmental responsibility that it applies in Australia. The policies underlying consideration of aid proposals by AIDAB should be those enunciated in the World Conservation Strategy of 1980, which is the basis of the National Conservation Strategy of Australia adopted in 1983 by the Government, and of

the World Commission on the Environment publication 'Our Common Future', endorsed this year in general terms by the Government.⁴

At Chapter 3, this Report has already noted that the National Conservation Strategy for Australia recommended as a 'priority national action' that Australia ensure that the objectives arising out of the NCSA and the WCS are taken fully into account in Australia's dealings with other countries.⁵

6.4 Australia's focus for the provision of development aid is humanitarian. As a first priority this means that such aid should be directed to the provision of food, shelter, energy, water supply, sanitation and health care. A sensible question, however, concerns the extent to which environmental factors should be considered in the provision of aid. That question, of course, applies more directly to development aid than to emergency aid. Questions also remain about whether Australian environmental standards should apply.

6.5 One answer lies in the acknowledged connection between the environment and basic human well-being. *Our Common Future* pointed out that deficiencies in the provision of basic needs are often visible manifestations of environmental stress.⁶ The WCED confirmed that, in the Third World, the failure to meet these key needs is one of the major causes of many communicable diseases such as malaria, cholera and typhoid.

6.6 There is, then, considerable scope for various environmental criteria to be applied to development aid that is provided on a humanitarian rationale.

6.7 That said, the question remains which environmental criteria should be applied. The most demanding criteria suggested to the Committee were those applying in Australia. That view, however, was not shared by all submissions. Treasury advised that while promoting growth, alleviating poverty and protecting the environment are mutually supporting objectives in the long run, these three are not always compatible in the short term; decision makers often confront difficult choices in pursuing them simultaneously:

That makes it important to consider the implications of competing claims, and to determine which approaches can best help achieve the most appropriate balance.⁷

6.8 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.

6.9 Further, many environmental costs may be acceptable because of the offsetting environmental benefits. The Treasury submission suggested that:

Irrigation and hydropower projects may lead to environmental costs through 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.⁸

Importantly, the point underlying this view applies to the environmental effects of development in any country: some environmental costs may be necessary in order to achieve a more general environmental benefit.

6.10 With regard to development aid, however, the more relevant question concerns whether, over and above the kinds of conventional environment/development compromises that are accepted by developed countries, there may be a class of more radical compromises required in developing countries. The essential needs of some countries may necessitate more significant compromises.

6.11 Taking this issue further, Treasury also concluded that, with regard to the activities of the World Bank:

The policy judgement on tradeoffs involving growth, poverty and the environment, and income distribution policies, are essentially matters for developing country governments rather than the Bank to determine.⁹

The Committee does not concur with this approach. While there can be acceptable compromises on the environment to ensure that basic human needs are met (and often with urgency), it would be irresponsible of donor states to abdicate their responsibility to monitor environmental effects and seek to minimise them. This is the case for two reasons. First, the concern of donor countries for the environmental effects of development aid in recipient countries is quite proper. Second, it is accepted that environmental consequences in one country often can be shared by other countries, if not commonly across the world. The Brundtland Report advised that:

Many of the risks stemming from our productive activity and the technologies we use cross national boundaries; many are global. Though activities that give rise to these dangers tend to be concentrated in a few countries, the risks are shared by all, rich and poor, those who benefit from them and those who do not. Most who share in the risks have little influence on the decision processes that regulate these activities.¹⁰

6.12 No individual country, for example, has the right to behave in ways that seriously damage the Earth's ozone layer; or expect the global community not to raise its concern and seek ways to prevent such damage. Nor can any aid provider deny the responsibility of ensuring that development aid is used in ways that have adequate regard to environmental effects.

6.13 Essentially this is the view expressed by Australia's Prime Minister, Mr Hawke, during the October 1989 Commonwealth Heads of Government Meeting in Kuala Lumpur. There, in speaking to journalists, Mr Hawke confirmed of recipient states:

I do think that they would regard it as appropriate that those of us who are in the relatively fortunate position to be giving economic assistance should be pointing out our concern with environmental matters and that they should also have a concern with this. Provided that we are prepared to do the sorts of things for instance that I've talked about, to share our technologies which are environmentally relevant, then I think it's appropriate in discussions with them to say to them, well this particular sort of development may need to have this sort of qualification attached to it or this sort of process attached to it.¹¹

6.14 However, the Committee is concerned that this view was not represented in the Langkawi Declaration on Environment issued by Commonwealth Heads of Government on 21 October 1989. There, in paragraph 6, Commonwealth Heads agreed that:

Environmental concerns should not be used to introduce a new form of conditionality in aid and development financing, nor as a pretext for creating unjustified barriers to trade.

The Committee considers that the Prime Minister's view supports environmental considerations as a condition of development aid. That position has the Committee's endorsement.

Australian Legislation and Development Aid

6.15 Having established broadly that environmental standards should apply to Australian development aid projects, the question can be put as to whether Australian legislation requiring environmental assessment does apply to such projects.

6.16 DASETT answered this question in the affirmative by arguing at length that the Impact of Proposals Act 1974 applies to Australian aid proposals. DASETT advised that:

The Department recognises that difficulties may arise in trying to rigidly apply the provisions of the Act to overseas aid projects set in social and political contexts significantly different to the Australian situation. Nevertheless, the Department believes that the application of the principles of environmental impact assessment contained within the Act should be applied in selecting, planning and implementing aid projects.¹²

6.17 The object of the *Environment Protection (Impact of Proposals) Act 1974* is to ensure to the greatest extent that is practicable, that matters significantly affecting the environment are fully examined and taken into account in relation to actions, proposals and decisions taken by or on behalf of the Commonwealth Government. The Act places a duty on all Commonwealth Ministers to ensure that environmental factors are taken into account in the administration of their portfolios, but only the Minister responsible for the Environment can determine that an Environmental Impact Statement is required in any particular case.¹³

6.18 AREA suggested that the fact that the Minister for Foreign Affairs and Trade had never enquired of the Minister responsible for the Environment concerning the need for an environmental impact assessment of an aid project was 'a blatant disregard of the Act'. AREA pointed out that aid projects are funded by the Commonwealth Government and that the development and planning of such projects is carried out within Australia. AREA argued that AIDAB should be requested to carry out environmental impact assessments for all projects deemed to have a significant impact.¹⁴

View of the Attorney-General's Department

6.19 The question of the application of the Impact of Proposals Act to development assistance projects was examined by the Attorney-General's Department which advised that the 'environment' the Act seeks to protect is defined in s.3 to include 'all aspects of the surroundings of human beings', and in its view:

is not limited geographically to Australia. Rather the Act relates to all aspects of the surroundings of human beings whether inside or outside Australia.¹⁵

The advice noted that the Act, in s.5(1), is concerned with the enumerated activities:

by, or on behalf of, the Australian Government and authorities of Australia ...¹⁶

and considered that it is only concerned with those activities that could affect 'the environment to a significant extent'.

6.20 The Attorney-General's Department confirmed that:

In this Department's view, the Act would apply to a Commonwealth activity such as the making of a decision in relation to a particular project if it could be established that the project probably would not proceed without the particular Commonwealth decision.¹⁷

According to that Department, it is necessary that the relationship between the Commonwealth activity and the particular project be sufficiently direct, and the environmental consequences and effects of the Commonwealth activity be sufficiently proximate. In the Department's view, this enables 'matters affecting the environment to a significant extent' to be taken into account '*at the time that the Commonwealth activity is to be undertaken*'.¹⁸

6.21 This view took into account the proviso in s.5(1) that the Act is to be applicable in relation to the matters enumerated in that section only 'to the greatest extent that is practicable', and interpreted 'practicable' in a factual sense:

The test in each case is whether the object of the Act is 'capable of being put into practice, carried out in action, effected, accomplished or done ...'¹⁹

6.22 According to the Attorney-General's Department some of the paragraphs of s.5(1) of the Act might from time to time be relevant to the activities of AIDAB:

Where Commonwealth activities within s.5(1) are sufficiently directed to and identified with a particular project and are of a kind without which the project probably would not proceed ... then those activities would generally involve matters 'affecting the environment to a significant extent' if the execution of the project would so affect the environment.

And the opinion concluded that the Act generally:

would apply to a Commonwealth grant directly in respect of a particular project that would affect the environment in the recipient country to a significant extent where the recipient country is obliged, or otherwise expected by the Commonwealth, to apply the funds to that project and where the funds are essential for the purpose of financing the project [but that it would] not apply when the Commonwealth funds are not tied to particular projects and it is left to the recipient country to decide upon the application of the funds to particular projects, or where it could not be shown that the project probably would not proceed without the funds.²⁰

View of the Department of Foreign Affairs and Trade

6.23 It has been noted that, under the Impact of Proposals Act, the responsibility for determining whether any particular proposal is environmentally significant rests with the relevant Minister; for development aid proposals, that is the Minister for Foreign Affairs and Trade. However Dr Dominic De Stoop, Assistant Secretary, International and General Legal Branch of the Department of Foreign Affairs and Trade (DFAT), told the Committee that his Department is of the opinion that the Act does not apply extra-territorially. He commented that there is a difference of opinion as to whether 'environment' as defined in s.3 is meant to apply to the environment outside Australia or is geographically limited to the environment in Australia.

6.24 DFAT supports the common law presumptions about the applicability of legislation overseas – the principle that legislation is presumed not to have an extraterritorial effect. Dr De Stoop explained that:

Section 21 of the *Acts Interpretation Act* provides that in any Commonwealth Act references to such matters and things should usually be construed as references to such matters and things 'in and of the Commonwealth', in other words, Australia and its external territories ... There is also [a] presumption in common law, in Australian law, that legislation conforms with international law. For domestic legislation to apply in a foreign territory would impair the sovereignty of that particular country and therefore, unless it is clearly stated in the Act that the legislation is to apply extra-territorially, the common law presumption that domestic legislation is consistent with international law would apply in this case.²¹

And in an earlier memorandum to AIDAB dated 8 December 1987, DFAT examined the Second Reading speech on the Bill, and expressed the view that, as there was no reference in the speech to the environment outside Australia:

the policy of the Act ... [indicates] that it was only ever contemplated that the Act apply to the environment within the Commonwealth of Australia.²²

6.25 It is notable that, in that memorandum, DFAT also referred to a 1976 article by Mr G Kelly entitled 'Commonwealth Legislation Relating to Environmental Impact Statements'. There Mr Kelly refers to the presumption against extra-territorial application as embodied in s.21 of the *Acts Interpretation Act 1901*, and notes that the definition of 'environment' in s.3 of the Environmental Protection Act includes 'all aspects of surroundings of man' which he submits 'provides a contrary intention for the purpose of s.21 of the Acts Interpretation Act.'²³ However, the concluding view of the Department is:

that it was never contemplated that the Act required the submission of environmental impact statements or the approval of the Minister responsible for the environment for every AIDAB project with a possible environmental impact.²⁴

6.26 Importantly, the issue of, and the effect of, decisions being made in Australia by (or on behalf of) the Australian Government and authorities of Australia was not canvassed in the 1987 memorandum.

DASETT's View

6.27 Following the advice received from the Attorney General's Department, DASETT is of the opinion that the Act applies to decisions by the Australian Government, rather than whatever might follow from these decisions overseas.²⁵ That is, although the Act does not apply to the decisions of other countries with regard to their environments, it does apply to decision-making by the Australian Government and by Australian agencies.²⁶ DASETT informed the Committee that:

The Act does not apply to the environment at all. What the Act applies to is decision making by the Australian government and by Australian agencies. So if any activity is caught by that then it is within the scope of the Act. A sensible test, which I think has been mentioned by Attorney-General's, is the extent to which the activity or project or whatever could go ahead in the absence of a decision by the Commonwealth in some form or other. So that is the issue. I would believe quite strongly that it is of little moment where the impact of that decision is in the end, because we are not saying, and neither does the Act say, that it applies to the building of schools or the mitigation of floods or anything like that. It applies to the decisions that the Australian Government or its agencies take.²⁷

AIDAB's View

6.28 Despite the assertion by Dr De Stoop of DFAT that (with regard to the Impact of Proposals Act) 'We cannot and do not conform with the spirit of it overseas',²⁸ the Acting Director-General of AIDAB advised the Committee that AIDAB was abiding by the spirit of the Australian legislation. He claimed that this was in some ways more effective than attempting to impose hard and fast laws on developing countries.²⁹ And AIDAB's Deputy Director-General confirmed that:

There have been situations when there has been need to stop further discussion and negotiation on project activities because, for a number of reasons – I am not talking only about environment, there also can be policy reasons – it has not been appropriate to pursue that project further. So that does happen,

and environmental issues could certainly be in the category of issues which would cause the development of a project to be stopped dead because we were not able to reach an appropriate arrangement for the handling of the environmental issues.³⁰

6.29 While claiming to be observing 'the spirit' of Australian environmental legislation the Director-General of AIDAB suggested that, were AIDAB required to adhere to the letter of the law, AIDAB's operations would be slowed and complicated. Further, according to Dr McCawley, additional resources would be required in AIDAB.³¹ The Deputy Director-General added that:

it could result in a situation where there were fewer environmentally relevant activities in the program ... I am saying that there might be a tendency to select projects which clearly did not require going through the environmental assessment process.³²

Nevertheless, AIDAB advised that it would conform with 'the instructions of the Australian Parliament' on this matter.³³

The Relationship Between DASETT and AIDAB

6.30 In 1986 the Australian Government decided that memoranda of understanding (MOU) should be negotiated between DASETT and action authorities. The intention was to ensure that environmentally significant projects received attention under the Impact of Proposals Act. According to DASETT:

This coincided with a growing awareness within our own Department that AIDAB was showing no sign of keeping pace with developments in the rest of the world about environmental accountability in aid programs ...³⁴

DASETT recognises that difficulties may arise in trying to rigidly apply the provisions of the Act to overseas aid projects set in social and political contexts significantly different from the Australian situation.³⁵ Nevertheless, DASETT believes that the application of the principles of environmental impact assessment contained within the Act should be applied in selecting, planning and implementing aid projects:

The formula we have adopted is that the Act exists, our Minister has obligations under the Act, AIDAB has obligations under other responsibilities and the principles enshrined in the Act will guide AIDAB's work.³⁶

6.31 The memorandum of understanding between DASETT and AIDAB, which has yet to be negotiated, is to confirm the intentions of AIDAB as an action authority to comply with the principles of the Impact of Proposals Act.³⁷

6.32 It is important to be clear about the changes that would be entailed for AIDAB once the memorandum of understanding is agreed with DASETT. The Acting Director-General of AIDAB envisaged that aid recipients would be told that they need to 'follow certain rules'.³⁸ This does not appear to be a view fully shared by DASETT. DASETT envisages that the environmental assessment would be undertaken in Australia and that DASETT (in consultation with AIDAB) would determine whether further documentation was required and, if so, who should prepare it.³⁹ That is, it would not be a case so much of a recipient country complying with Australian legislation but of Australian authorities complying with Australian requirements. The Committee considers this a reasonable approach to take. The Impact of Proposals Act does not have extra-territorial effect in that it cannot, through AIDAB, require or enforce implementation by the aid recipient within its own territorial areas. As Dr De Stoop noted, to do so would entail domestic legislation applying in a foreign territory. It would impair the sovereignty of that country.

6.33 However, under s.5(1)(a) the Act governs activities 'by, or on behalf of, the Australian Government and authorities of Australia'. Activities carried out by AIDAB are 'by and on behalf of, the Australian Government ...' and it has a responsibility under the Act to ensure to 'the greatest extent that is practicable, ... matters affecting the environment to a significant extent are fully examined and taken into account'. The Committee is of the opinion that it is for responsible Ministers or particular Commonwealth agencies to determine whether or not a project is environmentally significant. As decisions which will affect the environments of developing countries are made by Australian authorities and are funded by Australia, the Committee believes that the *Environment Protection (Impact of Proposals) Act 1974* is applicable to Australian decision-making about overseas aid projects. The Impact of Proposals Act, then, while not applying to foreign governments, may entail extra-territorial consequences.

6.34 The Committee considers that the most useful way forward on this issue is the finalising of the MOU between DASETT and AIDAB as an urgent priority. This recommendation is made in the knowledge that the MOU with AIDAB is now to be included in that for DFAT. The Committee, however, is also mindful of the fact that on 30 October 1988 DASETT advised that the draft MOU was in preparation.

6.35 Importantly, the MOU should contain guidelines (for the environmental significance of projects) that are workable for the development aid context. The Committee understands that the Environmental Screening Guidelines, published in June 1989 as *Environmental Assessment of Official Development Assistance* are the Guidelines to be included in the MOU for AIDAB. The Committee has examined these Guidelines and has found them generally acceptable given that they are for *screening* purposes; and the function of screening, as specified in the Guidelines, is to determine whether environmental assessment is necessary and which issues

should be addressed. The Committee notes, however, that there is considerable latitude for applying the Guidelines. In the Committee's view, the Guidelines should be employed in a manner that is workable for the development aid context.

6.36 Should the Guidelines reveal that an environmental assessment is necessary, AIDAB and DASETT would determine the requirements of further documentation and which authority should prepare it. Presumably the MOU will specify principles for this process. Essentially, however, the Committee endorses such an approach with its potential to lead to an environmental assessment.

6.37 In adopting this view the Committee has not overlooked the concern expressed by Dr McCawley⁴⁰ that this approach would slow down the project approval process. There are, however, several points to be made in mitigation of Dr McCawley's concern.

6.38 First, such an arrangement need not add significant complications to the in-country negotiations concerning even that aid which could be environmentally sensitive. The reason for this is that, as a rule, any environmental impact assessment would be prepared by Australia, in Australia. The demand on Australian staff abroad would be for information, much of which may be available from sources that include the client government. The preparation of an environmental assessment is not an automatic requirement of development projects.

6.39 Second, this Report recommends a significant increase in AIDAB's staffing to handle environmental assessment questions.

6.40 Third, the proper and realistic use of the Environmental Guidelines, as this Report recommends, should facilitate AIDAB's responsibilities in this regard.

6.41 Fourth, as DASETT has indicated, once the proponent of a proposal (usually AIDAB in these circumstances) has provided DASETT's Environment Assessment Branch with preliminary information, it is possible for the matter to be processed without further formal documentation.⁴¹

6.42 Fifth, in the July 1989 AIDAB Development Paper *Aid and the Environment*, AIDAB has adopted a policy of undertaking 'as required' environmental impact assessment.⁴² While legal debate may continue concerning extraterritorial application of Australian law, the fact remains that AIDAB has formally accepted a role for environmental assessment in its bilateral development aid program.

6.43 Sixth, AIDAB is at present integrating the environmental analysis function into all operational areas of the organisation. An integral part of this process will be the training of relevant staff in appropriate techniques for environmental analysis and the environmental education of all staff. AIDAB's task has already

become more complicated and demanding. The task, however, is necessary. Given the policy position adopted by AIDAB during 1989, AIDAB could soon share the experience of the World Bank:

The difference between the new arrangement and the old is that we are consciously pushing environmental considerations into the mainstream of our activities. The number of people now who are working on what by any definition could be classified as environmental work goes well beyond the number of people working in the environmental units in the Bank. In fact, we are the tip of the iceberg - as, in fact, we should be. Our intention is, and it appears to be working, to elevate the status of environment in our normal day-to-day not only project work but also, more importantly, our country policy work, elevating that status and making sure that it is built into our concerns about growth, economic development and macropolicies. In fact, I would even go a little further. As I just said to the Senator, it would seem to me that our efforts are designed almost to preclude the use of the word 'environment' any more, but rather to say that economic growth depends upon sensible and efficient and equitable use of various resources - land, air and water - and to be seen to be building this into our country economic work is the name of the game.⁴³

Recommendations

6.44 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.

6.45 The Committee recommends that DASETT and AIDAB finalise as an urgent priority the 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.

ENDNOTES

1. An introduction and guide to this legislation is given in the Australian Environment Council Report No. 18, *Guide to environmental legislation and administrative arrangements in Australia* (2nd ed), AGPS, 1986.
2. Working Group on the Environmental Effect of Overseas Aid Submission (No. 41), p. 13, Transcript of Evidence, p. 439.
3. Conservation Council of South Australia Submission (No. 25).
4. DASETT Submission (No. 42), p. 35, Transcript of Evidence, pp. 855-56.
5. *A National Conservation Strategy for Australia*, AGPS, Canberra, 1983, p. 11.
6. *Our Common Future*, op.cit., p. 55.
7. Treasury Submission (No. 37), p. 6, Transcript of Evidence, p. 52.
8. id.
9. ibid., p. 53.
10. *Our Common Future*, op.cit., p. 35.
11. The Hon. R J L Hawke, *Transcript of News Conference*, Pan Pacific Hotel, 20 October 1989.
12. DASETT Submission (No. 42), p. 13, Transcript of Evidence, p. 833.
13. Australian Environment Council Report No. 18, *Guide to environmental legislation and administration arrangements in Australia*, p. 40.
14. AREA Submission (No. 28), p. 22, Transcript of Evidence, p. 361.
15. DASETT Submission (No. 42), Appendix B, Transcript of Evidence, p. 865.
16. id.
17. ibid., p. 866.
18. id.
19. id.
20. ibid., p. 867
21. Dr D De Stoop, Transcript of Evidence, p. 778.
22. Incorporated document, Transcript of Evidence, p. 811.
23. ibid., Transcript of Evidence, p. 812.
24. ibid., Transcript of Evidence, p. 813.
25. Mr N Quinn, Transcript of Evidence, p. 917.
26. ibid., p. 920.

27. *ibid.*, pp. 920-21.
28. Dr D De Stoop, Transcript of Evidence, p. 786.
29. Dr P McCawley, Transcript of Evidence, p. 795.
30. Mr C Terrell, Transcript of Evidence, p. 795.
31. Dr P McCawley, Transcript of Evidence, p. 796.
32. Mr C Terrell, Transcript of Evidence, p. 797.
33. Dr P McCawley, Transcript of Evidence, p. 797.
34. Mr B Odgers, Transcript of Evidence, p. 923.
35. DASETT Submission (No. 42), p. 13, Transcript of Evidence, p. 833.
36. Mr B Odgers, Transcript of Evidence, p. 924.
37. *id.*
38. Dr P McCawley, Transcript of Evidence, p. 797.
39. Submission (No. 42), p. 30, Transcript of Evidence, p. 850.
40. Dr P McCawley, Transcript of Evidence, p. 796.
41. DASETT Submission (No. 42), p. 29, Transcript of Evidence, p. 849.
42. *Aid and the Environment*, *op.cit.*, p. 12.
43. Dr J Warford, Transcript of Evidence, p. 20.

SECTION 3

THE AUSTRALIAN INTERNATIONAL DEVELOPMENT ASSISTANCE BUREAU

CHAPTER SEVEN

AIDAB: POLICY AND PROGRAM FOR ENVIRONMENTAL FACTORS

Policy for Reviewing Environmental Factors

7.1 Over time AIDAB has increasingly recognised the importance of taking account of environmental factors in aid projects. In the proposed working plan¹ that it provided in October 1987, AIDAB undertook under Objective 4 to cooperate with other donors to achieve the first three objectives, viz:

- Objective 1: Develop procedures to ensure the effective integration of environmental protection and resource management considerations into AIDAB's activities.
- Objective 2: Co-operate with recipient countries to strengthen their capacity to identify, address and resolve issues relating to environmental protection and management.
- Objective 3: Promote environmentally sound activities as part of Australia's involvement with multilateral development institutions.

7.2 Under Objective 4 AIDAB also outlined the following activities as part of the working plan:

- 4.1 Participate in OECD follow-up work on the environmental assessment of development assistance programs and projects.
- 4.2 Participate in activities (workshops etc.) designed to improve project performance by addressing environmental issues and needs.
- 4.3 Co-ordinate Australia's approach to environmental issues in multilateral development institutions with that of other donors.
- 4.4 Share information and exchange news of environmental protection and resource management issues in regular bilateral aid consultations with other donors.
- 4.5 Disseminate evaluation reports to other donors.
- 4.6 Seek ways in which developing countries may be compensated for adopting conservation practices which benefit donor countries.²

Further, AIDAB acknowledged that:

To achieve the goal of environmentally sustainable development a long term commitment is also required within developing countries. Australia is only one of a large number of contributors to this process. Thus, the program of activities proposed above recognises the importance of cooperation with recipients, other bilateral donors and multilateral institutions. Australia in this way can help to build a commitment to environmentally sustainable development in developing countries.³

7.3 Since providing the details of that working plan in 1987, AIDAB has expressed its policy goals (or 'strategy for aid and the environment') in the Development Paper entitled *Aid and the Environment* published in July 1989. The objectives that were outlined in 1987 have been revised as follows:

- (a) effectively integrate environmental protection and resource management into its programs;
- (b) implement procedures for assessing and monitoring the environmental impact of development activities which Australia assists;
- (c) cooperate with developing countries to strengthen their capacity to anticipate, identify, assess and resolve issues of environmental protection and natural resource management;
- (d) promote and support environmentally-sound development activities funded by multilateral development institutions; and
- (e) cooperate with other donors to achieve these objectives.⁴

7.4 The Committee observes two important points from AIDAB's strategy for aid and the environment. First, it is clear that the policy does not specify, but must presume, that adequate knowledge of the environmental effects of aid projects will be available. The Committee regrets, however, that the policy does not state that AIDAB will have access to such knowledge. While AIDAB's activity guideline *Environmental Assessment of Official Development Assistance* notes some measures toward that goal, including the compiling of a directory of environmental expertise, AIDAB needs to articulate (as policy) that it intends to maintain expertise in its organisation and that it will employ appropriate methods to make full use of the directory it has compiled. The Committee recommends that that be done (see paragraph 7.22).

7.5 This point is central. AIDAB's strategy for ensuring that environmental factors are considered at appropriate stages of the aid approval process will have only a superficial effect unless adequate expertise is applied. Dr Jeremy Warford of the World Bank noted that:

As you know, even among scientists, we get widely different estimates about the problems of climate, about the problems of deforestation and how rapidly desertification is taking place, and about how many trees there are in the world. We really need to make sure the World Bank operating staff are at least up to date with the nature of differences of opinion so they do not go off on a tangent just basing their opinions of the last thing they read in the *Washington Post*.⁵

DASETT recommended that:

AIDAB should give priority to the training of appropriate staff in environmental assessment and to ensure that such staff has access to an adequate information base on recipient countries' environmental resources and problems.⁶

7.6 The second notable aspect of AIDAB's policy concerns the acknowledgement that environmental impact statements will be employed. In its October 1987 submission AIDAB advised that Objective 1.2 was to:

Develop and use Environmental Impact Assessment (EIA) techniques within the Appraisals Evaluation and Sectoral Studies Branch of AIDAB. Such techniques should adequately cover the identification, prediction and assessment stages of EIA.

Further, Objective 1.3 advocates the incorporation of EIA at the earliest practicable stage of the planning cycle.

7.7 Significantly, AIDAB took this matter further in the July 1989 Development Paper. In developing the idea behind objective (a) (see paragraph 7.3 above), the *Aid and the Environment* document advises that AIDAB will screen 'each activity for environmental soundness' and undertake 'as required environmental impact assessments'.

Program for Implementing the Environmental Policy

7.8 AIDAB's 1987 submission advised that the process of identifying, documenting, establishing and evaluating bilateral aid activities follows the 'Planning Cycle'.⁷ This cycle, by the time the Environmental Assessment Guidelines document was published in June 1989, was termed the 'AIDAB Project Cycle'. AIDAB⁸ has confirmed that environmental considerations are integral to its program and an AIDAB officer advised the Committee that:

All officers within the organization should be aware of environmental concerns and should ensure that these aspects are considered throughout the project cycle.⁹

Further, the *Aid and the Environment* document claimed in July 1989 that:

Over the last two years significant progress has been made by AIDAB and ACIAR in developing appropriate arrangements to ensure environmental concerns are properly addressed at all stages of the planning and implementation of aid activities.¹⁰

This raises two questions. To what extent can environmental matters be considered at each stage of AIDAB's planning cycle? And, is AIDAB paying adequate attention to environmental issues during its planning cycle? To respond to these questions, there are six steps to AIDAB's planning cycle which should be outlined; these steps were articulated in AIDAB's submission.¹¹

(i) *Identification*

7.9 AIDAB claims that it is making progress to ensure that environmental concerns are 'properly addressed' at all stages of the planning and implementation of aid activities. Accordingly, it is essential to require of AIDAB that environmental aspects be addressed clearly as from the first stage of the planning cycle, that of *Identification*. Significant contra indications at the outset would raise the prospect that the project should not proceed, and that further resources should not be spent on its assessment.

7.10 Importantly, this implies environmental awareness training for AIDAB officers on posting so that they can contribute to the inclusion of environmental factors in the planning cycle. Such officers should employ the Screening Guidelines and provide advice to the extent possible. Of course, while the in-country post will be able to provide information and initial analysis, it may not be capable of the complete factoring of environmental considerations (and perhaps resolving competing environmental considerations) against a range of other project issues.

(ii) *Documentation*

7.11 The second stage in AIDAB's planning cycle, *Documentation*, is the stage that includes a feasibility report by external specialists. Then, AIDAB advised,¹² at this early stage environmental issues are examined and assessed; and on its completion, ministerial or delegate approval is sought.

7.12 The Committee considers that if ministerial or delegate approval is to be sought on completion of this (second) stage, 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. Indeed, Dr D Pfanner recommended that:

AIDAB staff in the third world should be encouraged to be familiar with environmental groups in the Third World whose opinion should be sought regarding government proposed projects involving potential Australian support.¹³

7.13 While a similar view was put by the University of NSW Wilderness Society, a suggestion for a formal consultation process was put by the Australian Committee of the International Union for Conservation of Nature and Natural Resources (ACIUCN). The ACIUCN recommended that an advisory body to AIDAB be established to provide policy advice with regard to project selection and appraisal; and the ACIUCN envisaged that such a body would include ACIUCN representation.¹⁴

7.14 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 ACIUCN. The Committee cannot accept the assurance of AIDAB that it uses NGO expertise to help identify and appraise environmental aspects of projects.¹⁵ 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 AREA recommended, NGOs should be provided with the AIDAB environmental guidelines for assessing potential projects.¹⁶ This will assist the participation of NGOs in the formal advisory body recommended at paragraph 7.23.

7.15 Importantly, it is at this second stage of the planning cycle (*Documentation*) that the Committee presumes that AIDAB intends to undertake the environmental impact assessments envisaged in *Aid and the Environment*.

7.16 It should be noted that comment relevant to the next four stages of the planning cycle appears in Chapter 8.

(iii) *Project Appraisal*

7.17 The appraisal process, according to AIDAB, is an essential first step in defining the extent of future aid activities.¹⁷

AIDAB further advised that to appraise and monitor the effectiveness of activities, a systematic logical framework has been developed over recent years to guide the planning design process. An AIDAB officer, Mr W Brown, explained this 'logframe':

The logframe sets out a hierarchy of four levels of objectives. The goal is a broadly defined socio-economic objective (e.g. an increase in social and economic wellbeing through increased food production). The purposes cover the expectations of the project which lead to the goal (e.g. the introduction of new farming systems). The outputs are the activities directly resulting from the project (e.g. training courses conducted) while the inputs include such things as manpower and equipment.¹⁸

AIDAB advised that before funding is justified the risks and expected achievements of the planning are fully discussed in institutional, financial, economic, social, cultural, technical and environmental terms.¹⁹

(iv) Establishment

7.18 The fourth stage of the planning cycle entails the negotiation of a memorandum of understanding with the client Government. A managing agent is appointed who develops and refines the proposal. Agreed implementation plans are then transferred to a revised Project Document. This revised Project Document incorporates and builds on the design developed at appraisal and becomes the main reference for the management and monitoring of the project.

(v) Monitoring and Review

7.19 At this fifth stage, the relevant AIDAB country desks are responsible for annual progress assessment. AIDAB has listed the elements of this stage as follows:

- Country Desks responsible for annual progress assessment.
- The Post responsible for within year monitoring of short-term objectives relating to planning activities and Australia/Recipient contributions as set out in the Annual Plans.
- Quality control by periodic planning review visits undertaken every 18 months to 2 years by Director/Country Desk, AESS and the Post.
- Key impact indicators including environmental parameters assessed as part of project reviews for some major projects.²⁰

(vi) *Evaluation*

7.20 The final stage of AIDAB's planning cycle concerns evaluation. AIDAB advised that:

- Evaluation is concerned with undertaking periodic reviews of current activities and studies of completed activities and programs, and the feedback of results to AIDAB and host countries.
- The impact of evaluation work depends upon the extent to which the results are incorporated into either the next phase of an activity or into future activities.²¹

Implementation

7.21 Of course, the efficacy of AIDAB's planning cycle is conditional on the retention of appropriate staff. The next chapter of this Report examines the questions of AIDAB's personnel establishment and the ways in which their expertise should be utilised to ensure that environmental factors are adequately considered in the planning cycle.

Recommendations

7.22 **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.**

7.23 **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.**

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

ENDNOTES

1. AIDAB Submission (No. 1), p. 37, Transcript of Evidence, p. 670.
2. id.
3. ibid., p. 38, Transcript of Evidence, p. 671.
4. *Aid and the Environment*, op.cit., pp. 11, 12.
5. Dr J Warford, Transcript of Evidence, p. 16.
6. DASETT Submission (No. 42), p. 26, Transcript of Evidence, p. 846.
7. AIDAB Submission (No. 1), p. 8, Transcript of Evidence, p. 641.
8. ibid.
9. Mr W Brown, *Working Paper No. 87/2*, p. 54, Transcript of Evidence, p. 528.
10. *Aid and the Environment*, op.cit., p. 22.
11. AIDAB Submission (No. 1), Appendix 2, p. 4 et seq, Transcript of Evidence, p. 676 et seq.
12. ibid., p. 676.
13. Submission (No. 5), p. 7, Transcript of Evidence, p. 616.
14. ACIUCN Submission (No. 36).
15. AIDAB Submission (No. 1), p. 9, Transcript of Evidence, p. 642.
16. AREA Supplementary Submission (No. 28B), Transcript of Evidence, p. 405.
17. AIDAB Submission (No. 1), Appendix 2, p. 4, Transcript of Evidence, p. 676.
18. Mr W Brown, *Working Paper No. 87/2*, p. 21, Transcript of Evidence, p. 495.
19. AIDAB Submission (No. 1), Appendix 2, p. 5, Transcript of Evidence, p. 677.
20. id.
21. id.

CHAPTER EIGHT

AIDAB: ESTABLISHMENT CAPACITY

8.1 Self-evidently, the proper consideration of environmental issues by AIDAB requires appropriately trained and experienced staff. A lack of this kind of resident expertise would be a major factor limiting the Bureau's capacity for sound environmental assessment and management. In evidence before the Committee, this was the most commonly identified limiting factor for environmental monitoring by AIDAB. As recently as 13 September 1989, AREA advised the Committee that, while three recent staffing initiatives are to be supported:

they do not fundamentally address the lack of environmental expertise available in the country desk project cycle and provide no systematic method for environmental expertise to be applied to the project cycle.¹

8.2 AIDAB, of course, has recently undergone reorganisation consequent upon the Jackson Report. In its February 1989 report on AIDAB, the Joint Committee on Foreign Affairs, Defence and Trade noted that although AIDAB's staffing level had grown to 503 it was 'significantly below the steering committee's agreed level of 538'.² Further while new staff selection criteria were adopted by AIDAB stressing skills necessary to implement development assistance policy and management, there was no direction from the Jackson Report concerning environmental expertise. Dr D Pfanner advised the Committee that the Jackson Report made no mention of environmental issues.³ The Committee considers this incomprehensible given that the Jackson Report was finalised as recently as five years ago.

8.3 Nevertheless, it is surprising, that in June 1989, AIDAB advised that only one officer of the Appraisals, Evaluation and Sectoral Studies Branch had 'environmental studies experience'.⁴

8.4 However, the Committee wishes to emphasise that, in advocating the acquisition and retention of environmental expertise in AIDAB it is recommending more than that some officers have 'environmental studies experience'. While the Committee acknowledges that one AIDAB officer has such a background, it considers that all AIDAB officers must be sensitive to environmental factors. Further, scientists from relevant disciplines and professional officers also should be available for environmental analysis. The Institute of Foresters of Australia suggested that AIDAB have more staff with professional forestry training,⁵ while Dr Veit considered that agricultural scientists should be employed by AIDAB.⁶

Doubtless there are officers in AIDAB with that kind of background; the point is that the environmental review staff in the AESS Branch should draw, in part, on such officers for its staffing.

8.5 Accordingly, the Committee considers that AIDAB's requirement will be satisfied by a core of officers trained in relevant fields who understand ecological problems clearly. Dr Warford from the World Bank advised that in the Environment Department twenty-five percent of the staff were economists and the remainder included foresters, industrial pollution experts and even anthropologists.⁷ While AIDAB cannot replicate the World Bank in this field, it should emulate it proportionally.

8.6 Having determined the kind of officer required in the environmental review role, AIDAB needs a sufficient number of such officers appointed at adequate levels of seniority. This will ensure a vigorous multi-disciplinary asset within AIDAB for environmental review.

8.7 In appearing before the Committee, AIDAB made mention of staffing numbers. While projecting its confidence that suitable staff were available to cover the appraisal of project proposals from an environmental perspective, Dr McCawley nevertheless admitted in 1987 that AIDAB was enduring 'tight staffing constraints' and that 'trade-offs' were required.⁸ The dimensions of this trade-off were revealed by Mr Stensholt, Acting Deputy Director-General of AIDAB, who admitted that of the 30 staff in AESS Branch, only two were involved primarily in environmental appraisals.⁹ Although in its letter of 22 June 1989, AIDAB advised that at that stage there was only one such officer in the organisation, a subsequent letter (25 September) confirmed that it was adopting the following measure:

An increase in the personnel able to provide environmental advice in the Appraisals, Evaluations and Sectoral Studies Branch in AIDAB. In addition to the present Senior Environmental Adviser, a director with special responsibility for environment policy and procedures has been appointed and two additional full-time environmental officers are currently being selected.¹⁰

8.8 The Committee understands, then, that despite AIDAB's acknowledgement of the importance of environmental considerations in the appraisal process, there are currently only two officers (at most) permanently engaged in that task. Further, the Committee understands that one of those officers is the head of the relevant section, a section covering appraisals other than those taking an environmental perspective. The section head's attention can hardly be devoted mainly to environmental assessment.

8.9 The Committee is most concerned that this situation has been permitted to continue over a significant period of time. In the Committee's view, even four full-time officers would be inadequate given the nature and significance of the task. This judgement takes into account AIDAB's program to increase the environmental awareness of its staff.

8.10 Here the Committee's main concern is that, despite AIDAB's access to external expertise (including NGOs), ultimately any advice from such sources must be analysed and assessed within AIDAB before it can be accepted. It is AIDAB that ultimately advises the Minister for Foreign Affairs and Trade whether to approve a development aid proposal.

8.11 The Committee has noted the proposal from AREA that AIDAB requires a full Branch to handle these issues.¹¹ In the Committee's view, a section of six professional officers under a Deputy Director-General would be the minimum desirable for this task in AIDAB, having regard to the fact that the total AIDAB task requires an establishment of around 500 officers, and that environmental review has the level of significance outlined by AIDAB.

8.12 With regard to the level of appointment of officers who perform the environmental assessment function, AIDAB has advised that a 'senior environmental adviser' and a 'director with special responsibility for environmental policy and procedures' have been appointed (see paragraph 8.7). At paragraph 8.8 it has already been suggested that the 'director' can hardly be expected to devote attention mainly to environmental matters. This is of concern to the Committee because the 'director' is the senior officer, an Administrative Service Officer (ASO) Class 8. Further, despite the title 'senior environmental adviser', that adviser is hardly senior. An ASO Class 7 officer may contribute significantly to the work of the branch and provide valuable advice. However, in the context of AIDAB's requirement for environmental assessment and having regard to the volume of work and the existence of only two officers for the purpose, the title is a misnomer.

8.13 DASETT advised the Committee that AIDAB required a core of qualified officers experienced in environmental impact assessment (EIA). Additionally, AIDAB suggested that other AIDAB officers would require training in EIA techniques.¹² The Committee considers that the environmental review section suggested for AIDAB would be trained in EIA techniques, preferably with assistance from DASETT. Members of the section would then be available to train other AIDAB staff as required.

8.14 The Committee considers that all AIDAB staff must be appropriately trained in order for AIDAB to achieve its goal of ensuring that:

Australian aid activities encourage management of natural resources in an ecologically sustainable manner to ensure effective social and economic development.¹³

The Director-General of AIDAB recognised the importance of the inclusion of all staff in the process by commending the Environmental Screening Guidelines to them.¹⁴ **The Committee recommends that all AIDAB staff receive appropriate training in environmental assessment, and perhaps even more importantly, in environmental awareness, especially in relation to developing countries.**

8.15 Further, the combination of a significant enhancement in AIDAB's capacity for environmental review together with an increase in AIDAB's EIA expertise should eventually entail a reduced need for the employment of consultants on environmental matters. AIDAB had advised the Committee that seventy-five percent of the input for larger projects would be from consultants.¹⁵

8.16 There would be two major advantages from a reduction in AIDAB's reliance on consultants for environmental reviews. First, AIDAB would increase its own expertise and, perhaps, gain a more objective view of environmental factors applying to particular projects; there can be a tendency for consultants to provide the kind of advice that they anticipate the Government is looking for. Dr David Farrow of the Solomon Islands Development Trust commented that the:

specialist work involved [in environmental impact assessment] is generally contracted out to consultants whose continued existence depends on maintaining a steady flow of like contracts. There is thus great pressure to produce 'acceptable' results and, in fact, to operate completely within the mind set of contracting agencies when a detached and critical stance is required.¹⁶

8.17 Second, the retention of its own environmental review capability by AIDAB would be cost efficient. Even a consultant, in providing evidence to the Committee, admitted that:

I think it is more cost efficient, apart from anything else, for AIDAB to maintain its own environmental staff.¹⁷

8.18 The Committee considers that AIDAB has a formal responsibility to increase its environment assessment capability. This Report has already noted (at paragraph 3.2) that Australia has endorsed the WCED Report in general terms. The WCED Report noted that in 1986 the OECD adopted a recommendation to member governments to include in their bilateral aid programs an environmental assessment policy together with effective measures for applying that policy:

The recommendation includes proposals for adequate staff and financial resources to undertake environmental assessments and a central office in each agency to supervise implementation and to assist developing countries wishing to improve their capacities for conducting environmental assessments. We urge all bilateral aid agencies to implement this recommendation as quickly as possible.¹⁸

8.19 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.

8.20 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;
- the 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 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.

ENDNOTES

1. AREA Supplementary Submission (No. 28C), p. 2.
2. AIDAB Review, op.cit., p. 27.
3. ACIAR Submission (No 5), p. 2, Transcript of Evidence, p. 611.
4. Letter from Mr S Wood (AIDAB) to Secretary, 22 June 1989.
5. Institute of Foresters of Australia Submission (No. 9).
6. Dr F Veit Submission (No. 26).
7. Dr J Warford, Transcript of Evidence, p. 17.
8. Dr P McCawley, Transcript of Evidence, p. 770.
9. Mr R Stensholt, Transcript of Evidence, p. 773.
10. Letter from AIDAB to Secretary, 25 September 1989.
11. AREA Supplementary Submission (No. 28C).
12. DASETT Submission (No. 42), p. 32, Transcript of Evidence, p. 852.
13. AIDAB, *Environmental Assessment of Official Development Assistance* [Environmental Screening Guidelines for Country Program Managers], Preface, 1989.
14. id.
15. Mr R Stensholt, Transcript of Evidence, p. 773.
16. Dr D Farrow Submission (No. 11), p. 2.
17. Dr R Buckley, Transcript of Evidence, p. 599.
18. *Our Common Future*, op.cit., p. 340.

CHAPTER NINE

AIDAB: PAST RECORD AND RECOMMENDATIONS FOR THE FUTURE

Past Record

9.1 AIDAB has advised that it now monitors aid program components either directly or indirectly. For Country Programs (see paragraphs 4.5 to 4.16), monitoring occurs through a variety of measures including screening during project preparation, mid-term reviews and ex post evaluations of individual projects. Global Programs (see paragraphs 4.17 to 4.19) are monitored indirectly through Australia's representatives, and AIDAB also participates in multilateral review teams and conducts periodic reviews of the organisations to which Australia contributes.¹

9.2 Nevertheless, it is apparent from AIDAB's submission that until 1987 it had not attempted a systematic review of aid projects having potential environmental significance. Of 400 bilateral projects current in 1987, AIDAB reviewed 121 that were considered to fall into this category; the value of those projects exceeded \$525 million. AIDAB provided the following tables in its submission.² They detail the results of AIDAB's 1987 review.

Table 2: Summary of Degree of Impact of Projects

DEGREE OF IMPACT	IN PLANNING/DESIGN PHASE -									
	ENVIRONMENT CONSIDERED				ENVIRONMENT NOT CONSIDERED				TOTAL	
	Number	Value \$million	Percent	Number	Value \$million	Percent	Number	Value \$million	Percent	
Major positive	29	83.2	15.8%	10	32.4	6.2%	39	115.7	22.0%	
Major mixed	20	191.9	36.5%	5	18.7	3.6%	25	210.6	40.1%	
Major negative	0			5	25.0	4.8%	5	25.0	4.8%	
Minor positive	5	3.8	0.7%	16	35.6	6.8%	21	39.4	7.5%	
Minor mixed	6	17.4	3.3%	4	13.7	2.6%	10	31.1	5.9%	
Minor negative	6	18.2	3.5%	15	85.7	16.3%	21	103.9	19.8%	
TOTAL	66	314.7	59.8%	55	211.2	40.2%	121	525.9	100.0%	

Table 3: Summary of Type and Degree of Impact of Projects

TYPE OF IMPACT	DEGREE OF IMPACT														
	MAJOR POSITIVE	MAJOR MIXED	MAJOR NEGATIVE	MINOR POSITIVE	MINOR MIXED	MINOR NEGATIVE	TOTAL	No. Value	\$m	No. Value	\$m				
Natural Resource Management	17	22	3	8	6	3	59	73.9	206.7	22.0	30.0	20.1	2.9	59	356.5
Environmental Protection	5	0	0	1	0	0	6	0.2	0	0	0.1	0	0	6	0.3
Localised Impact	1	1	1	1	1	1	6	0.1	0.1	0.1	2.0	1.2	9	14	86.1
Urban Planning	0	0	0	0	0	1	1	0	0	0	0	7.5	1	2	8.2
Environmental Health/ Sanitation	13	0	0	8	0	1	22	33.6	0	0	3.5	0	4.3	22	41.4
Agrochemicals	2	0	0	1	1	0	4	5.5	0	0	0.1	2.2	0	4	7.7
Pollution/Waste Management	1	2	1	2	1	7	14	2.5	3.6	2.0	3.8	0.1	13.6	14	25.7
TOTAL	39	25	5	21	10	21	121	115.7	210.6	25.0	39.4	31.1	104.0	121	525.9
PERCENT	32.2	20.7	4.1	17.4	8.3	17.4	100.0	22.2	40.1	4.8	7.5	5.9	19.8	100.0	100.0

9.3 Somewhat understandably, AIDAB put the most positive interpretation possible on these results. In addition to observing that:

Over half of the projects took account of environmental issues in the planning and design stages,³

AIDAB advised that:

Although further validation is necessary, preliminary indications are that Australian aid projects are, in general, avoiding the worst features of environmental degradation and many, particularly in the areas of natural resource management, health and sanitation, have beneficial effects.⁴

Despite this attempt to establish the best possible gloss on the survey results, to claim that the Australian aid projects reviewed 'are, in general, avoiding the worst features of environmental degradation' is, in the Committee's view, self-condemning. This is particularly the case in the light of Australia's formal commitments to environmentally sound aid; paragraph 3.4 of this Report notes Australia's formal acknowledgement in 1984 of its responsibilities under the World Conservation Strategy.

9.4 The Committee has examined closely the tables providing the results of AIDAB's review. It is clear that the picture is disturbing. While AIDAB nominated for its review '121 current projects that have potential environmental significance', it found that more than forty-five percent of those projects were passed through the Planning/Design phase without the consideration of environmental effects. Those projects amounted to more than \$211 million in value. Not surprisingly, of those projects more than thirty percent in number (and fifty percent in value) had a 'major negative' or 'minor negative' environmental impact. And the major categories of impact were natural resource management, localised impact and environmental health/sanitation. That is, the negative impacts could have substantially affected human well-being. AIDAB commented that:

Adverse impacts arose from the failure to take adequate account of natural environmental constraints leading to development of land unsuited for the purpose or failure to take proper precautions to prevent adverse impacts. Negative impacts tended to be localised rather than regional in nature, and in most instances are amenable to ameliorative measures.⁵

9.5 Compounding the extent of the problem presented by this review are the figures provided for those projects that *were* the subject of environmental examination. There were sixty-six such projects in that category, with a value of

more than \$314 million. Among even those projects, six registered a minor negative environmental impact, and twenty-six others had a major or minor 'mixed' result. AIDAB commented:

The extent to which the beneficial aspects of a project may outweigh less desirable features will depend, to a considerable degree, on the measures being introduced to maintain close, in-country monitoring, the establishment of appropriate guidelines and the development of evaluation and auditing procedures.⁹

9.6 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.**

Program for the Future

(a) Acknowledgement of Australia's Formal Obligations

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

9.8 **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)**

(b) Adherence by AIDAB to Announced Policy on Aid and the Environment

9.9 **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.**

(c) Finalising the DASETT/DFAT (AIDAB) MOU Concerning the Impact of Proposals Act

9.10 The finalising of the MOU 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.

(d) Appropriate Application of AIDAB's Environmental Screening Guidelines

9.11 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.

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

(e) Adequate Environment Staff in AIDAB

9.13 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. Further, as noted in paragraph 8.10, 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 of direct access to AIDAB's Director-General, as necessary.

(f) Environmental Audit

9.14 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.

(g) Involvement with Multilateral Organisations

9.14 The Committee considers it essential for Australian representatives to convey fully and forcefully to multilateral organisations Australia's policies and assessments concerning environmental aspects of development projects.

ENDNOTES

1. Memorandum from AIDAB to Secretary, 30 October 1989.
2. AIDAB Submission (No. 1), pp. 14, 15, Transcript of Evidence, pp. 647, 648.
3. *ibid.*, p. 646.
4. *ibid.*, p. 649.
5. *ibid.*, p. 646.
6. *ibid.*, p. 649.

SECTION 4

INTERNATIONAL FINANCIAL INSTITUTIONS

CHAPTER TEN

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)

10.1 Australia contributed \$1 million to IFAD in 1988-89 and the budget estimate remains the same for 1989-90.¹ While this inquiry's terms of reference concern the adequacy and effectiveness of Australia's participation in multilateral agencies such as IFAD, the evidence provided to the Committee concentrated on the performance of IFAD itself and on the issue of Australian funding. Nevertheless, the Committee has been able to utilise much of that evidence in its review.

10.2 IFAD is unusual among the multilateral development institutions mentioned in submissions because it has not been criticised for its environmental performance. It has been put forward as a model of how the effective use of funding for aid can lead to constructive and sustainable development.² The reputation of IFAD was highlighted by one submission; it stated that the World Bank's operations often have disastrous environmental consequences and a disastrous impact on the poorest people affected, but noted that it was to the World Bank's credit that it had, more recently, co-financed projects with IFAD.³

Aims

10.3 The primary objective of IFAD is to help increase agricultural production in developing countries. OECD donors supply 60 per cent of IFAD's resources, and OPEC countries the remaining 40 per cent.⁴ According to Results Australia:

IFAD was founded in 1977 as a result of a resolution taken at the World Food Conference of 1974. This conference had identified the short comings of the then-existing MDB's in effecting long-term improvements for the poorest and least privileged people in developing countries. IFAD was created as a revolving fund for concessional loans, a small and specialised agency of the UN with the specific mandate of raising food production and incomes among the poorest of the world's poor. It is the only international lending institution whose sole focus is the poorest of the poor.⁵

10.4 Decisions made by the IFAD Executive Board are reached by consensus. AIDAB noted that:

The extent to which any individual country can influence the direction of IFAD's policies and practices is dependent on their representative on the Executive Board rather than their percentage share of votes in the organisation.

Australia is in a constituency with Canada and Japan who, with Australian concurrence, have to date rotated the two positions of Executive Director and Alternate Director between them. Australia has never held a seat on IFAD's Executive Board.⁶

Praise for IFAD

10.5 Evidence received by the Committee drew comparisons between the World Bank and IFAD. Unlike the World Bank, IFAD is said to use small amounts of money to help the poorest to help themselves by promoting self-sufficiency, and by educating people in agriculture, health and family planning.⁷ Whereas the average size of the World Bank loan is \$55 million, the average size of the IFAD loan is \$7.5 million.⁸ Results Australia identified six features of IFAD operations which help to avoid the failures of World Bank projects. These are:

- exclusive concentration on the poorest, especially the rural poor and women;
- comprehensive advance research;
- involvement of the intended beneficiaries and other local groups at every stage;
- close co-operation with other development agencies, including regional and national authorities;
- parallel strengthening of government policies and institutions which help the poorest; and
- continued monitoring to help protect the gains made by project beneficiaries.⁹

10.6 Dr Friederike Veit described IFAD as having a 'grass roots approach' resulting in well-researched, environmentally sound projects.¹⁰

10.7 An article 'Patching up Poverty' in *The Economist* of 20 August 1988 stated that IFAD makes loans to third world villages rather than to their governments and that the villagers monitor their own performance. It stated that:

from 1978-87 IFAD lent to 33 such projects in 25 countries. Their repayment records are good. All of the money goes to the people who actually fund the project ... loans are usually made to

groups of five borrowers, rather than individuals. Group-members usually make a point of repaying in order not to lose face and the chance of qualifying for a renewal of credit. If one member defaults, the group is responsible; no more money is lent until full payment is made.¹¹

Australian Funding

10.8 In 1987 a number of submissions argued that the Australian Government should increase its funding to IFAD. They stated that Australia was the only OECD member of IFAD not to honour its pledge to IFAD for the 1985-87 triennium or to make a generous contribution to IFAD's Special Program on Sub-Saharan Africa.¹² However, in November 1987 the Government announced its decision to honour Australia's current commitment of \$8.48 million to IFAD-2, but indicated that it would not participate in the replenishment negotiations (due to start in 1988) for IFAD-3. This decision was based on the low level of the IFAD-2 replenishment, and the protracted nature of the negotiations necessary to conclude it; problems with the level of commitment from some donor countries, particularly in the OPEC group; concerns over the development effectiveness of IFAD; and questions regarding IFAD's overlap with other development agencies.¹³

10.9 In reaching its decision on IFAD the Government noted the views of Professor Helen Hughes that IFAD depended upon the World Bank and other agencies to do much of its project preparatory work; IFAD's projects entailed high risk as a result of poor preparation and support by the host country; IFAD's examination system was not yet systematic; and that IFAD was weak on infrastructure and institutional support.¹⁴

10.10 A range of Australian authorities, including AIDAB, had an input into this decision.¹⁵ Mr P Tormey, Assistant Secretary, Capital Markets Division, Department of the Treasury, told the Committee that:

At a time when aid funds had been constrained for budgetary reasons it is a question of supporting the most effective agencies. It is in that context that the Government decided to honour its current pledge but to put IFAD on notice that it would not be providing future funds.¹⁶

10.11 This decision aroused wide protest including that from a number of aid organisations. Results Australia, which had argued strongly in its submission to the Committee for increased support for IFAD, expressed the view that the decision to withdraw future Australian aid was 'ill informed and ill advised'.¹⁷

10.12 The Joint Committee on Foreign Affairs, Defence and Trade, which heard strong criticism of this decision from a number of quarters, found Australia's position to be at odds with world opinion. Both the World Bank and the US Agency for International Development had praised the work of IFAD. The Joint

Committee observed that there was room for an international organisation which successfully tackles rural poverty, and that it had not heard any evidence which convinced it that IFAD was not worthy of Australian support. It therefore recommended that Australia announce its intention to contribute to the Third Replenishment.¹⁸

10.13 On 12 September 1989 the Minister for Foreign Affairs and Trade, Senator Gareth Evans, announced that Australia would contribute approximately \$10 million to the third replenishment of IFAD:

Since the Government's previous decision not to contribute to IFAD - 3 was announced, information has come to light which addressed criticisms at that time ...

[t]his information shows that IFAD is an effective aid delivery vehicle that complements Australia's bilateral aid program and its membership of other development finance institutions.¹⁹

At the same time the Minister announced that Australia would contribute \$500 000 to the Special Program on Sub-Saharan Africa.²⁰

10.14 The Committee welcomes this decision and notes the positive response from Mr Rollason of ACFOA.²¹ Further, the Committee considers that the Australian Government should give immediate consideration to a further increase in funding for IFAD.

10.15 There has been an absence of evidence concerning the adequacy and effectiveness of Australia's participation in the decision-making processes of IFAD. Australia has never held a seat on IFAD's Executive Board.²² To maintain contact with IFAD an AIDAB officer in the Australian embassy in Rome has 'functional responsibility for aid matters pertaining to IFAD' and other organisations.²³

Conclusion

10.16 The Committee recognises, having regard to the relatively small size of Australia's contribution to 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.

10.17 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.

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

ENDNOTES

1. 1989-90 Budget Related Paper No. 4, p. 23.
2. See for example, Results Australia submission (No. 18), p. 3, Transcript of Evidence, p. 318; Dr J Davis Submission (No. 19); Dr F Veit Submission (No. 26); and Ms M Robertson Submission (No. 32).
3. Dr J Robbins Submission (No 21).
4. House of Representatives *Hansard*, 19 November 1987, p. 2363.
5. Results Australia Submission (No. 18), p. 3, Transcript of Evidence, p. 318.
6. AIDAB Submission (No. 1), Appendix 8, Transcript of Evidence, pp. 729-30.
7. Dr J Davis Submission (No. 19).
8. Results Australia Submission (No. 18), p. 4, Transcript of Evidence, p. 319.
9. *id.*
10. Dr F Veit Submission (No 26).
11. *The Economist* 20 August 1988 p. 72.
12. Results Australia Submission (No. 18), p. 5, Transcript of Evidence, p. 320 and Dr F Veit Submission (No. 26).
13. House of Representatives *Hansard*, 19 November 1987, p. 2363.
14. *ibid.*, p. 2361.
15. Dr P McCawley, Transcript of Evidence, p. 790.
16. Mr P Tormey, Transcript of Evidence, p. 232.
17. Mrs K Cloud, Transcript of Evidence, p. 325.
18. AIDAB Review, *op.cit.*, pp. 78-80.
19. Minister for Foreign Affairs and Trade News Release No. M157, 12 September 1989.
20. *id.*
21. *The Canberra Times*, 13 September 1989, p. 4.
22. AIDAB Submission (No. 1), Appendix 8, Transcript of Evidence, p. 730.
23. *id.*

CHAPTER ELEVEN

MULTILATERAL DEVELOPMENT BANKS

Overview

11.1 In this inquiry the Committee has before it the task of assessing the adequacy and effectiveness of Australia's participation in the decision-making processes of the international banks of which Australia is a member. The Committee received evidence from numerous organisations which pointed to environmentally damaging activities resulting from insensitive and badly managed aid projects financed by multilateral development banks to which Australia subscribes funds.

11.2 The Committee notes, however, that few of the submissions presented to it specifically addressed the ways in which Australia could influence the decision-making of these organisations and the limitations to Australia's influence.

Function of the Development Banks

11.3 The Multilateral Development Banks (MDBs) are the largest public development lenders in the world. Almost all of their lending is to governments and government agencies for development projects, either as a 'hard loan' that charges close to commercial interest rates, or as a 'soft loan' at little or no interest to the poorest countries. Funds for the hard loans are obtained mainly by borrowings in international capital markets supplemented by capital subscriptions from member countries and net income. Soft loans are financed by donor contributions.¹

11.4 As a member of the international aid community Australia supports three key international financial and development institutions. Bodies such as the Asian Development Fund (ADF) and the International Development Association (IDA) are able to provide aid on a scale, or in sectors, which may not be possible for a single donor.² The ADF and IDA are the highly concessional lending arms of the Asian Development Bank and the International Bank for Reconstruction and Development (World Bank) respectively. The three institutions supported by Australia, then, are the International Fund for Agricultural Development (see Chapter Ten), the Asian Development Bank and the World Bank.

Structure

11.5 Multilateral Development Banks are governed by Boards of Governors which have delegated decision-making on most policy issues to Executive Boards. Australia is represented at the Board of Governors by the Treasurer and belongs to

a constituency (group) of countries which elects an Executive Director to the Board and appoints other constituency representatives. Voting rights in the Boards are determined by shareholdings in the Banks.³ The role of the Boards in relation to the environmental work of the Banks largely concerns the determination of policy and its implementation.⁴

Procedure

11.6 Treasury informed the Committee that when a project goes to the Board for approval it is accompanied by substantial documentation which is summarised for the Board's consideration. This includes a short assessment of significant environmental impacts. If more information is required by the Executive Directors, it can be obtained.⁵ According to Treasury, because Directors and their staff have access to the Bank's staff they are able to consider the environmental aspects of proposed projects prior to their consideration by the Board.⁶

Australian Funding of MDBs⁷

11.7 In 1988-89 Australian contributions to international financial institutions amounted to \$180.3 million. This figure comprised \$52.5 million to the Asian Development Fund (ADF) and \$126.8 million to the International Development Association (IDA). The remaining \$1 million was contributed to the International Fund for Agricultural Development (IFAD). The estimated expenditure for 1989-90 is \$65.3 million. This is substantially lower than in 1988-89 because 'some expenditure scheduled for 1989-90 was brought forward'.

Criticisms of Multilateral Development Banks

11.8 Evidence presented to the Committee concentrated on the multilateral development banks and mainly on the World Bank. In general, submissions were critical of the environmental performance of these organisations. One noted that:

References to environmentally beneficial or even benign projects actually funded by international financial institutions are few.⁸

11.9 The Committee was informed that the banks fail to reach the poorest of the poor and may even worsen the conditions of this group because they generally fund large infrastructure projects which are of little relevance to farmers and labourers and may even deprive them of their livelihood.⁹

11.10 According to Results Australia, the practices of the MDBs often cause massive dislocations of indigenous people with the benefits of projects going to the privileged classes.¹⁰ Results Australia also said that the poor are not involved in the design or implementation of projects supported by MDBs, that the lending policies of MDBs can lead to massive indebtedness by developing countries and that MDB assistance has 'frequently and extensively been used to bolster repressive regimes in

the name of “stability”.¹¹ The Working Group on the Environmental Effect of Overseas Aid said that even when projects are intended for local people they will often be handed over to ‘companies who can utilise them for export commodities – such is the pressure of loan repayments after implementing the projects’.¹²

11.11 Although most of the evidence received by the Committee was critical of the past performance of MDBs, some witnesses noted that these organisations are now reacting constructively to public pressure on environmental issues,¹³ although perhaps not quickly enough.

WORLD BANK

11.12 The World Bank was established in 1945. It is by far the largest of the MDBs in terms of funding. In 1986-87 the World Bank Board approved 235 projects¹⁴ and made loans or credits of about \$US 17 billion.¹⁵ The World Bank has 6000 employees and deals with 146 member countries.¹⁶

Australia’s Role

11.13 Australia has 1.83 per cent of votes in the World Bank and is the largest shareholder in its constituency which includes New Zealand, the Republic of Korea, Vanuatu, Papua New Guinea, Western Samoa, the Solomon Islands and Kiribati. The total voting power of the constituency is 3.27 per cent. Australia has held the Executive Director position representing its constituency except during the periods 1970-77, 1980-82 and 1987-89. The Executive Director may speak on behalf of the constituents separately, but must cast the votes of all the members of the constituency as a bloc.¹⁷

Criticisms

11.14 The World Bank funds some very large-scale projects. It is also subject to the greatest amount of criticism from environmental groups. Some of the criticisms of the Bank are very broad. For example, Mr David Farrow said that it is an enormous, financially powerful bureaucracy operating in isolation and has ‘a single-minded determination to impose its own ideology regardless of context (eg local national aspirations)’.¹⁸

11.15 Other criticisms relate to the policies of MDBs and to their effects on developing countries. Results Australia, for example, asserted that they caused economic and physical displacement of the poor and failed to involve indigenous people, especially the poor, in the design and implementation of projects which were ostensibly intended for their benefit.¹⁹ Results Australia also complained of the MDBs reluctance to admit mistakes, to revise their development model and to take remedial action.²⁰ Other causes of concern were the emphasis placed by the MDBs on purely economic returns, their failure to account for short-term and long-term social and environmental costs of projects and policies, the sheer size of

their projects and the massive indebtedness they fostered.²¹ The Committee has already noted [at paragraph 1.5] that the pursuit of development in order to service foreign debt often results in environmental devastation.

11.16 A number of these deficiencies have been acknowledged by the World Bank. In giving evidence before this Committee in March 1988, Dr Jeremy Warford cited the example of livestock production in Costa Rica and Brazil which benefited only a very narrow elite group rather than the society as a whole, and which had disastrous effects on the environment.²²

11.17 AREA cited a number of projects with which the World Bank has been involved, some of which resulted in the displacement of large numbers of indigenous people, abuse of 'legal land rights' and the clearing of 'large tracts of rainforest on soils unsuitable for agriculture'.²³ The emphasis given by the Bank to funding large-scale infrastructure projects was said to be harmful to both the environment and the poor. A typical comment was that the World Bank:

seems to have a record of backing large dams (known to be uneconomic ... 20 years ago!), large migrations displacing indigenous people, large scale land clearance.²⁴

The view that the Bank primarily finances the construction of power plants, telecommunications, airports and other infrastructure and that these rarely benefit the poor appears to be widespread.²⁵

The Size of Projects Funded

11.18 The suggestion that the Bank should increase lending for small scale projects involving the poor, appeared in several submissions.²⁶ The on-lending referred to subsequently in this Report [see paragraph 11.25] is one mechanism through which this can be achieved, but it accounts for a minor proportion of the Bank's total lending.²⁷

11.19 AREA suggested that the Bank prefers large-scale projects because these are 'more cost effective' to administer since the 'project cycle and economic assessment is basically the same for small or large projects'.²⁸ AREA pointed out, however, that:

... small community based projects are better able to incorporate in the planning and implementation process, the principles of sustainable economic and environmental development.²⁹

The Committee is sympathetic with the concern of the World Bank to pursue cost-effectiveness. However, while larger development projects might be justified on such grounds, there are considerable potential environmental difficulties that can

accompany such an approach. Cost-effectiveness in economic terms cannot excuse adverse environmental effects, which may even render a project not cost-effective in the longer term.

Three Widely Criticised Projects

11.20 The criticisms of World Bank projects made in submissions received by the Committee included repeated references to three projects: Polonoroeste, in Brazil; transmigration in Indonesia; and the Narmada valley dams in India.

11.21 Results Australia was particularly critical of Dr Warford's presentation to the Committee of the Polonoroeste project, during which he indicated that the Bank had ceased disbursement of the loan at one stage until the Brazilian Government had taken 'measures that we felt were appropriate' to protect the Amerindian reserves.³⁰ Results Australia argued that there was no evidence that the Bank seriously suspended any projects which were identified as being environmentally detrimental.³¹

11.22 According to the Treasury, however, these three projects:

have long histories and were started by the borrowing countries without Bank assistance. In these and other projects, Bank interventions have reduced adverse environmental impacts.³²

11.23 Dr Warford described to the Committee the dilemma with which the Bank is confronted in dealing with the types of projects which have received most of the attention and genuine concern from the outside world:

Do we associate ourselves with a program which we know contains all kinds of terrible environmental problems, knowing that we may be able to do a lot to make it a lot better but also knowing that at the end of the day there will be residual problems there ... which we will be associated with? The question is: Do we play safe and say, 'Fine, you go ahead and do that, we will have an education or telecommunications project and protect our image', or do we actually get in there and try to do our best knowing at the end of the day that we are going to get into trouble? ... It seems to me there is a danger that project officers could decide to play safe and walk away from a project where they could have a potential for doing a lot of good.³³

Recent Reforms

11.24 There are strongly held views that the World Bank does not sufficiently address the problems of the poor, that it supports economically, socially and environmentally unsound projects and often makes conditions worse, at least in the long term.³⁴ However, its critics acknowledge that there may be signs the Bank is becoming more environmentally sensitive and slowly improving its policies.³⁵

11.25 Dr Warford advised the Committee of the World Bank's perspective: the Bank had been the leader among development institutions on environmental matters and it had done much to raise consciousness of environmental issues both in the developing countries and among other multilateral aid institutions. Even before the Stockholm Conference of 1972 the Bank had been concerned with the environmental manifestations of individual projects and it had also actively sought possibilities for lending for environmental projects per se.³⁶ However Dr Warford acknowledged the difficulties inherent in large-scale projects, stating that 'many of our projects have had consequences which have been totally unanticipated' because of the great complexity of environmental issues.³⁷ He mentioned two responses to this problem. One was to break large projects into more manageable units, to 'phase them'. The other was to lend to institutions which then on-lend according to certain agreed criteria.

The idea basically is to try to make sure that we do get down to the grassroots level, we do encourage small-scale industry, do encourage small-scale activities in the rural area, cottage industries and so on. We do that through an intermediary.³⁸

11.26 The World Bank appointed its first environmental adviser in 1970 and has frequently affirmed its commitment to sustainable development.³⁹ According to the Treasury:

Since 1971 more than 1700 projects (representing over 50 per cent of the number of loans provided) have included components to prevent or mitigate seriously harmful environmental impacts.

The environmental impact of Bank projects is examined from an early stage in the project cycle. The Bank's environmental guidelines preclude projects which cause severe or irreversible environmental deterioration or endanger public health and safety, and require measures to be taken to offset adverse impacts on displaced people or disadvantaged vulnerable groups.⁴⁰

11.27 The Bank has prepared policy statements on a number of environmental matters although, according to environmental groups such as AREA, the lack of trained staff and institutional commitment has meant that these are often mainly

public relations documents.⁴¹ A number of environmental initiatives were announced by the President of the World Bank to the World Resources Institute on 5 May 1987. They were to:

- begin an urgent, country-by-country assessment of the most severely threatened environments in developing nations;
- promote a continent-wide initiative against the advance of the desert and the destruction of forests in Africa;
- contribute to a global program to support tropical forest conservation; and
- participate in a co-operative effort by the nations of the Mediterranean and other international agencies to prepare a long-term campaign to protect that sea and its coasts.⁴²

11.28 In a recent structural reorganisation of the Bank environmental matters have been given increased emphasis. As a result of the reorganisation, two of the four senior vice-presidencies have a direct involvement in environmental matters. An Environment Department is located in the Senior Vice-Presidency for Policy, Planning and Research.⁴³ It has authorised 23 higher level positions and has three divisions.⁴⁴ The Senior Vice-Presidency for Operations is divided into four vice-presidencies dealing with Latin America and the Caribbean; Asia; Africa; and Europe, the Middle East and North Africa. Each of these vice-presidencies has an environmental division of five or six people who carry out the project-by-project environmental review process 'at all stages in the project cycle'.⁴⁵ These divisions can draw on the specialist skills contained in the Environment Department. According to the Treasury the 'Bank's environmental specialists undertake environmental training of other World Bank staff and selected personnel from developing countries and maintain liaison with relevant NGOs'.⁴⁶

11.29 The regional environment divisions identify the key environmental issues in each country to which the Bank lends in order to alert the officers who make the decisions at the country department about their importance. These issues may then become incorporated into the objectives of the work program for that country.⁴⁷ The Environmental Department is carrying out more in-depth studies on about 15 or 20 countries which examine one or two specific environmental issues in detail.⁴⁸ There are 'roughly 65 staff plus consultants' in the Environment Department and the four environment divisions; 25 per cent are economists.⁴⁹ This represented an eightfold increase in Bank staff devoted formally to environmental work since July 1987.⁵⁰ With the additional staff the Bank has moved in the direction of hiring economists (not formerly represented), anthropologists, behavioural scientists and ecologists.⁵¹

11.30 The Bank saw the integration of economists into the environmental area as being particularly important. While recognising the major intangible aspects of environmental matters to which it may be difficult to apply a dollar value, for example the benefits of preserving the environment of an indigenous tribe to allow it to continue its existing lifestyle, Dr Warford pointed out that:

when it comes to identifying the policy instruments, the measures that we might want to introduce to make sure that those people can survive, then economics becomes very important because we can devise policy instruments – prices and taxes and subsidies; property rights issues; distribution of land, income, wealth – those kinds of hard economic issues which will induce people to behave in such a way that they do not find it worth their while to encroach upon the tropical rainforests for example.⁵²

Reception of Reforms

11.31 These reforms are of the kinds said to be necessary in many of the submissions received by the Committee. A number of submissions emphasised the continuing need to fund small scale appropriate technology projects which promote self-sufficiency and the meeting of health and welfare needs.⁵³

11.32 The reorganisation was commended by AREA,⁵⁴ and the Joint Committee on Foreign Affairs, Defence and Trade welcomed the new determination to improve 'consideration of environmental factors'.⁵⁵ DASETT argued that the changes in the World Bank designed to improve its environmental performance reinforced the need to ensure that environmental matters were given 'due weight and attention in the advice provided to Australia's representatives'.⁵⁶

World Bank's Monitoring Capacity

11.33 The Bank does not initiate proposals itself, but responds to requests from member governments. This means, for example, that although it is willing to support environmental rehabilitation projects, its ability to do so is limited by the interest of member countries. Dr Warford, however, told the Committee that 'about 2,000 World Bank projects over the lifetime of the Bank have had environmental components associated with them, in many cases, perhaps most cases, over the wishes of the governments themselves'.⁵⁷ At the policy level, however, the Bank has called for environmental issues 'to be elevated to the highest levels of country planning'.⁵⁸ It has also indicated its intention to increase efforts to integrate natural resource management into country and economic sector studies and to expand its cooperation with NGOs.⁵⁹

11.34 One of the points made by the Working Group on the Environmental Effect of Overseas Aid was that although the World Bank:

has extensive policies to protect the natural environment and indigenous people ... these policies are often not implemented by the recipient country, and the Bank does not have the resources to police them. There is too little (if any) environmental assessment of proposed projects ... In reality, no on-site assessment is made by the Bank.⁶⁰

In contrast, Treasury stated that:

The Banks monitor projects to ensure that loan conditions (including environmental ones) are adhered to, and where necessary can delay or refuse disbursement if they are not.⁶¹

Treasury also suggested that borrowers have an incentive to comply with loan conditions in that they will generally wish to avoid the risk of a reduction by the Bank in future lending to the recipient.⁶² AIDAB informed the Committee that the focus of the World Bank's environmental activity is the incorporation of mitigating measures into its large-scale projects and that the Bank was able to address environmental concerns by setting loan conditions during negotiations with member governments.⁶³ Nevertheless, while funding could be stopped if the environmental conditions were not met 'it is not easy to ensure that they are adhered to' and by the time the funding is suspended the damage may have already occurred, as with the Polonoroeste Project in Brazil.⁶⁴

11.35 There is no doubt that the development of policies will have little impact unless they are effectively implemented and Dr Warford admitted that the Bank:

can make loan agreements on projects and we can agree with a country that certain environmental safeguards will be built in, but we go away and we come back and we find that perhaps these things were not done as well as we would have liked.⁶⁵

11.36 In such circumstances disbursement of the loan may cease until the agreed conditions have been met. Staff of the Bank are sent throughout the period of the disbursement of the loan to check on the implementation of a project 'to see that things are going as planned, the money is being spent as in fact agreed upon and the loan conditions being met'.⁶⁶ The Committee hopes that as a matter of course such staff include members of the Environment Department.

11.37 The Operations Evaluation Department of the Bank, which reports directly to the members of the Board, not to the President, evaluates the performance of project and lending activities in general, once the loan is completed. Where there have been implementation problems these are subjected to 'a fairly independent review'.⁶⁷

ASIAN DEVELOPMENT BANK

11.38 The Asian Development Bank (ADB) was established in 1966. It is owned by the governments of 32 countries from the Asia Pacific region and 15 countries from Europe and North America. Loans from ordinary capital resources, which account for 68 per cent of ADB lending, 'are generally made to member countries which have attained a somewhat higher level of economic development'. These loans are at near commercial rates. The 'soft loan' arm of the Bank is the Asian Development Fund (ADF). Loans from the ADF are made on highly concessional terms and almost exclusively to the poorest borrowing countries.⁶⁸

Australia's Role

11.39 Australia is the fourth largest shareholder in the ADB and has consistently held both the Executive Director and Alternate Executive Director positions in its constituency.⁶⁹ The other members of the constituency are Hong Kong, Kiribati and the Solomon Islands. The total voting power of the constituency is 7.76 per cent of which Australia accounts for 6.077 per cent.⁷⁰ As at 30 September 1987 the Australian constituency was the seventh largest (in terms of voting power) of the twelve elected constituencies.⁷¹ The Executive Director may speak on behalf of individual constituents and may cast their votes separately.⁷² As with the World Bank, decisions are usually reached by consensus.⁷³

Environmental Monitoring Capacity

11.40 After signing the Declaration of Environmental Procedures and Principles in 1980 the ADB established an environmental office at its headquarters in Manila.⁷⁴ An environmental specialist was appointed in 1981 and another in mid-1982.⁷⁵ Two other steps have been taken since then: the Board of Directors endorsed a working paper on environmental policies and procedures in January 1986, and in April 1987, an environmental unit was established and a third environmental specialist was appointed.⁷⁶ The environmental unit has the same general objectives as the World Bank's Environment Department, 'emphasising activities which encourage sounder use of natural resources in pursuit of sustainable development'.⁷⁷ According to the Treasury the environmental specialists 'provide advice to Bank Staff at all stages of the project cycle and also undertake resource centre activities, institution strengthening and external and in-house training. They draw together and complement the environmental work done by ADB project staff and consultants, and the Bank's Post Evaluation Office'.⁷⁸

11.41 Among the future activities identified in the 1987 report on the 'Implementation of the Bank's Environmental Policies and Procedures' were the integration of environmental planning and natural resource management into country and sector work, a review of the Bank's arrangements for treating social aspects of Bank projects, the compilation of a register of national, regional and international NGOs dealing with environment/indigenous peoples issues in

developing member countries, a review of the need for appropriate guidelines to protect wildlands or other critical areas, and the publication of Country Profiles outlining the environmental legislation and administration of selected developing countries and in-house and external training sessions.⁷⁹ In its supplementary submission to the Committee, AIDAB pointed out that the 'country profiles on environmental legislation and administration of selected developing member countries' have now been published. AIDAB stated that it 'found the Bank's work to be useful in developing environmental guidelines for the Bureau'.⁸⁰

Criticisms

11.42 AIDAB has noted that:

As a development institution which finances environmentally sensitive projects the Asian Development Bank faces similar problems to the World Bank.⁸¹

11.43 AREA commented that the ADB:

appears to be insensitive to the need to consult with non-government organisations (NGO's) about environmental and cultural issues associated with projects. A recent US Treasury Department report ... states that the US Executive Director of the ADB believed there were very few organisations in the region which could participate usefully in project work. Yet, in Asia in particular, there are a wealth of active and qualified NGO's whose informed participation could only improve ADB project quality.⁸²

11.44 Mr William Brown was critical of the administrative structure adopted by the ADB, 'an isolated [environmental] unit within the hierarchy', and the obstacles it presented to adequate environmental assessment:

they set up their office in 1980 with two staff, since expanded to three; they have gone through a copious quantity of paper and in a space of four years they have reviewed some 2,860 documents and have given 927 formal comments which has meant reviewing several major documents each and every working day and perhaps they were somewhat isolated from the main body.⁸³

11.45 The Joint Committee on Foreign Affairs, Defence and Trade was critical of the ADB's standards of project appraisal, and of its response to attempts by that Committee to obtain information in response to allegations put before it. That Committee concluded that Treasury officials were not sufficiently forceful in representing the Committee's concerns, and that multilateral institutions are currently inadequately accountable to the Australian public. It recommended that strong representations be made to the management of the ADB that Australia

demands the highest standards of accountability and disclosure. If this was not forthcoming continued support for the Bank's management should not be assumed. It also recommended that the Bank encourage, rather than discourage, critical attitudes towards management decisions among its staff. It concluded that the 'strategic placement of Australian staff in the ADB (and the World Bank) is clearly essential if Australian interests are to be served'.⁸⁴

11.46 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 ADB about Australian concerns for accountability and disclosure.

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ENDNOTES

1. Treasury Submission (No. 37), p. 1, Transcript of Evidence, p. 47.
2. 1989-90 Budget Related Paper No. 4, p. 22.
3. Treasury Submission (No. 37), pp. 2-3, Transcript of Evidence, pp. 48-49.
4. *ibid.*, p. 12, Transcript of Evidence, p. 58.
5. *id.*
6. *id.*
7. Statistics and information provided in this section are from the 1989-90 Budget Related Paper No. 4, pp. 23-24.
8. Working Group on the Environmental Effect of Overseas Aid Submission (No. 41), p. 3, Transcript of Evidence, p. 429.
9. Results Australia Submission (No. 18), p. 2, Transcript of Evidence, p. 317.
10. *id.*
11. *id.*
12. Working Group on the Environmental Effect of Overseas Aid Submission (No. 41), p. 8, Transcript of Evidence, p. 434.
13. Results Australia Submission (No. 18), p. 7, Transcript of Evidence, p. 322.
14. Treasury Submission (No. 37), p. 12, Transcript of Evidence, p. 58.
15. Dr J Warford, Transcript of Evidence, p. 3.
16. Mr W Brown, *Working Paper No. 87/2*, p. 8, Transcript of Evidence, p. 482.
17. Treasury Submission (No. 37), Attachment 1, p. 1, Transcript of Evidence, p. 63.
18. Mr D Farrow Submission (No. 11), p. 6.
19. Mrs K Cloud, Transcript of Evidence, p. 324.
20. *ibid.*, p. 325.
21. *id.*
22. Dr J Warford, Transcript of Evidence, p. 29.
23. AREA Submission (No. 28), p. 26, Transcript of Evidence, p. 365.
24. Dr J Robbins Submission (No. 21), p. 2.
25. See for example, Mr G Johnson Submission (No. 33), p. 1; and Ms N Ravenswood Submission (No. 34), p. 1.

26. Mr M Spencer Submission (No. 16), p. 2; Ms P Harley Submission (No. 23); Ms M Robertson Submission (No. 32); and Ms N Ravenswood Submission (no. 34), p. 1.
27. Dr J Warford, Transcript of Evidence, p. 32.
28. AREA Submission (No. 28), p. 27, Transcript of Evidence, p. 366.
29. id.
30. Dr J Warford, Transcript of Evidence, pp. 11-12.
31. Mrs K Cloud, Transcript of Evidence, pp. 329-30.
32. Treasury Submission (No. 37), p. 5, Transcript of Evidence, p. 51.
33. Dr J Warford, Transcript of Evidence, p. 35.
34. See for example, Mr M Spencer Submission (No. 16); Dr J Davis Submission (No. 19); Ms P Harley Submission (No. 23); Ms J Frenda Submission (No. 27) and Ms N Ravenswood Submission (No. 34).
35. See for example, Mr C McQueen Submission (No. 3), p. 4.
36. Dr J Warford, Transcript of Evidence, p. 4.
37. *ibid.*, pp. 5 and 31.
38. *ibid.*, p. 32.
39. Mr W Brown, *Working Paper No. 87/2*, p. 8, Transcript of Evidence, p. 482.
40. Treasury Submission (No. 37), p.3, Transcript of Evidence, p. 49.
41. AREA Submission (No. 28), p. 27, Transcript of Evidence, p. 366.
42. AIDAB Submission (No. 1), p. 19, Transcript of Evidence, p. 652.
43. Dr J Warford, Transcript of Evidence, p. 13.
44. *ibid.*, p. 15.
45. *ibid.*, p. 13.
46. Treasury Submission (No. 37), p. 4, Transcript of Evidence, p. 50.
47. Dr J Warford, Transcript of Evidence, pp. 14-15.
48. *ibid.*, p. 15.
49. *ibid.*, p. 17.
50. *ibid.*, p. 7.
51. *ibid.*, p. 8.
52. *ibid.*, p. 19.
53. See for example, Mr M Spencer Submission (No. 16); Ms M Robertson Submission (No. 32) and Ms N Ravenswood Submission (no. 34).

54. AREA Submission (No. 28), p. 27, Transcript of Evidence, p. 366.
55. AIDAB Review, *op.cit.*, p. 74.
56. DASETT Submission (No. 42), p. 16, Transcript of Evidence, p. 837.
57. Dr J Warford, Transcript of Evidence, p. 10.
58. AIDAB Submission (No. 1), p. 18, Transcript of Evidence, p. 651.
59. *id.*
60. Working Group on the Environmental Effect of Overseas Aid Submission (No. 41), p. 8, Transcript of Evidence, p. 434.
61. Treasury Submission (No. 37), p. 12, Transcript of Evidence, p. 58.
62. *id.*
63. AIDAB Submission (No. 1), p. 18, Transcript of Evidence, p. 651.
64. *id.*
65. Dr J Warford, Transcript of Evidence, p. 5.
66. *ibid.*, p. 12.
67. *id.*
68. Treasury Submission (No. 37), Attachment 11, Transcript of Evidence, p. 170.
69. AIDAB Submission (No. 1), Appendix 8, Transcript of Evidence, p. 729.
70. *id.*
71. Treasury Submission (No. 37), Attachment 1, Transcript of Evidence, p. 64.
72. *id.*
73. AIDAB Submission (No. 1), Appendix 8, Transcript of Evidence, p. 729.
74. AIDAB Submission (No. 1), p. 20, Transcript of Evidence, p. 653.
75. Treasury Submission (No. 37), Attachment 11, Transcript of Evidence, pp. 175-76.
76. *ibid.*, pp. 176-77.
77. Treasury Submission (No. 37), Transcript of Evidence, p. 56.
78. *ibid.*, pp. 9-10, Transcript of Evidence, pp. 55-56.
79. AIDAB Submission (No. 1), p. 22, Transcript of Evidence, p. 655.
80. AIDAB Submission (No. 1A), p. 9.
81. AIDAB Submission (No. 1), p. 20, Transcript of Evidence, p. 653.
82. AREA Submission (No. 28), p. 28, Transcript of Evidence, p. 367.

83. Mr W Brown, Transcript of Evidence, p. 538.
84. AIDAB Review, op.cit., pp. 75-77.

CHAPTER TWELVE

AUSTRALIA'S PARTICIPATION IN THE MULTILATERAL DEVELOPMENT BANKS

IDENTIFICATION OF FUNDS

12.1 The Institute of Foresters stated that Australian representatives should make clear that Australian aid funds have to be used on projects that abide by the principles of the World Conservation Strategy and that all projects should have the necessary environmental safeguards built into them.¹

12.2 However, AIDAB informed the Committee that Australia's participation in decision-making bodies of multilateral development institutions was limited to participation in governing bodies. The funds Australia provided go into a consolidated pool from which allocations are made, usually for specific projects. It is impossible to directly identify Australian funds against any particular project.²

COORDINATION OF AUSTRALIA'S PARTICIPATION IN MDBs

Consultation: Treasury and AIDAB

12.3 ACFOA advised the Committee that there is insufficient consultation between Treasury and AIDAB, and that on issues of development and environment AIDAB should be the principal, not the lesser participant.³ Ms W Fisher, Director of AIDAB's International Financial Institutions Section, outlined to the Committee the procedure by which AIDAB liaises with MDBs. Both Treasury and AIDAB receive documentation from the Executive Director's office in both banks. Although the Executive Director is usually appointed from Treasury that officer is an employee of the bank concerned and represents the whole constituency of which Australia is a part. Ms Fisher stated that there are 'frequent consultations between AIDAB and Treasury'. However, due to staffing constraints, a great deal of this communication was by phone. Despite differences of priorities and perspectives, joint advice, which can be initiated either by AIDAB or Treasury, is prepared for the Executive Director. The advice is forwarded for consideration, along with the contributions of the other countries in the constituency.⁴

12.4 Treasury told the Committee that it does not have its own environmental expertise, but believed that 'projects which are environmentally good are usually also economically good and vice versa, looking to sustainable development over the longer term'.⁵ Treasury also believed that the Banks were committed to projects which are environmentally sound and sustainable⁶ and relied primarily on the 'multilayer procedures within the Banks and the external advice coming to it from NGOs and recipient governments' when assessing projects.⁷ If a project was felt to

have environmental deficiencies the Executive Director 'would refer it to bank staff and then he would come here and we would put it out to DASETT, to CSIRO, using AIDAB ... to any other person or consultant who might have relevant input'.⁸ In his evidence to the Committee Mr P Tormey, Assistant Secretary, Capital Markets Division, Department of the Treasury, insisted that Treasury was in 'frequent contact with AIDAB and it (AIDAB) has its environmental unit'.⁹

12.5 Concerning Treasury's relations with international financial institutions, the Joint Committee on Foreign Affairs, Defence and Trade noted that 'Although AIDAB is routinely consulted, the Committee is unaware of anything which would constitute effective dialogue on matters of policy substance'.¹⁰ The Committee notes that in February 1989, the Joint Committee recommended that the Minister for Foreign Affairs and Trade should be Australia's Governor of both the World and Asian Development Banks, and that there must be 'regular and real dialogue' between senior Treasury and AIDAB officials on the critical issues facing the banks.¹¹

Consultation: Treasury and DASETT

12.6 Treasury's reliance on DASETT in assessing the environmental impact of World Bank projects appeared to be minimal. Mr Tormey told the Committee that he could not recall an instance in the past two or three years when a query about a project from the Executive Director had been referred on by Treasury to DASETT.¹² DASETT agreed that 'historically' its opinions and Australian views on environmental matters had great difficulty in getting through to the decision-making areas of MDBs.¹³ Treasury had never consulted DASETT when briefing the Executive Director on the board of the World Bank¹⁴ although DASETT believed such consultation would be useful. Mr B Odgers, Director, Procedures and Agreements, Environment Assessment Branch, DASETT, told the Committee:

We are quickly approaching the stage where we can give consistent and systematic advice on global environmental priorities because of the evolution of new treaties, arrangements and conferences ... Our Treasury does not have that sort of expertise.¹⁵

Liaison between AIDAB and DASETT

12.7 AIDAB informed the Committee that 'strong links have been established between AIDAB and DASETT. Senior officers from both organisations meet regularly to exchange information' and 'DASETT has provided valuable assistance in developing draft environmental guidelines'.¹⁶ The Committee believes that this process could be usefully expanded to include the consideration of projects proposed by the MDBs.

Conclusion

12.8 Evidence presented to the Committee led it to conclude that the process of consultation between AIDAB and Treasury when assessing MDB projects in order to prepare advice for Executive Directors, has been inadequate and should in future be more thorough and systematic. Primary carriage should be with AIDAB (with the consultation and involvement of DASETT) as recommended at paragraph 11.39.

12.9 Having regard to Australia's current environmental policies and widespread community concern at potential environmental damage from 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.

AUSTRALIA'S ACCESS TO MDB PROJECT APPRAISALS

12.10 According to AIDAB, Australia was generally not involved in the appraisal or evaluation missions carried out for individual projects, although Australians or Australian companies may be involved in project studies and management.¹⁷ One of the claims made by Mr D Farrow in his submission to the Committee was that:

many assessments, reports, documents and supporting evidence prepared for and by the [World] Bank and on which its decisions are based, are not available for general scrutiny. What this means ... is that our parliamentary representatives cannot discuss the advisability or otherwise of World Bank activities because they (and we) are not entitled to know even the most fundamental details of projects proposed or already in train.¹⁸

12.11 The Working Group on the Environmental Effect of Overseas Aid said that Australia should insist that MDBs make project assessments available for member countries and non-government organisations in recipient countries.¹⁹ ACFOA believed that Treasury does not disseminate adequately the information they are provided by the World Bank. It said that Treasury should make information on prospective projects available to environmental groups through AIDAB and ACFOA so that they can have input into the decision-making process.²⁰

12.12 According to AIDAB, the full-time Executive Directors at the World Bank and Asian Development Bank analyse and report on Board meetings and seminars. Bank documents and papers due for discussion at Executive Board meetings are circulated amongst Departments in Canberra for comment, and the Australian Executive Directors respond to requests for information from Australia concerning Bank activities.²¹

12.13 ACFOA argued that the problem did not lie in the failure of the World Bank to supply information to either AIDAB or Treasury. The principal deficiency was the failure of either government body to comment on individual World Bank projects unless there was a public outcry about them. This resulted from the lack of expert staff. It was the opinion of Mr G Barrett, consultant with ACFOA, that this is 'another reason why they need assistance from outside' their own areas.²²

12.14 The Treasury informed the Committee that Australia had raised with the Banks the issue of NGO access to project documents but that:

the Banks wish to maintain the confidentiality of project documents. Such documents often contain confidential assessments of the strengths and weaknesses of the Bank member countries, the release of which could be embarrassing to the Banks and/or member countries, as well as possibly being seen as an infringement of sovereignty.²³

12.15 Although project documents were considered to be confidential, the Treasury indicated that both the World Bank and the Asian Development Bank had recently taken steps to improve liaison and consultation with NGOs.²⁴ Moreover, NGOs and individuals could apply directly for visitor status to the World Bank meetings secretariat and such status would usually be granted.²⁵ The Committee notes, however, that such access is not available without considerable cost to an NGO.

12.16 ACFOA claimed that it had found that when Treasury refused to hand on World Bank information it could subsequently obtain the information from the Australian Executive Director's office in Washington, or through international NGOs. The need to use alternative channels prevented Australian NGOs from having the same input into the Bank's decision making processes that northern

hemisphere NGOs have.²⁶ ACFOA believed that Treasury was more restrictive with information supplied by the World Bank than the bank itself. Mr G Barrett told the Committee:

The World Bank puts on most of its documents a thing saying: 'This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not be otherwise disclosed without World Bank authorisation'. That is put on there basically for form. If you go to Europe or North America, those sort of documents are on every academic shelf. The bank is not too fussed about what happens with those documents, so long as they are not used for purposes that are against the bank's role or function. If they are used in a proper way to assist development and to assist debate about development issues, the bank is quite happy for those documents to be distributed. It does not do it officially itself but it is quite happy for its member countries to allow access to those documents. Treasury has a much stricter view than the bank itself has and certainly a much stricter one than, for example, the US Government does, because under its freedom of information law, all those documents are available.²⁷

12.17 Mr Barrett recommended that in order to improve the flow of information from the World Bank to the Australian public the official bank documents obtained by Treasury should be placed in a public place, such as the National Library.²⁸ Mr Rollason, Executive Director of ACFOA, suggested that the documents should be available on request in order to assist NGOs make 'more informed comment' on relevant issues.²⁹

12.18 It appears to the Committee to be 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 ACFOA. AIDAB and DFAT should have regard to the more liberal practices adopted by other members of the MDBs when formulating the policy.

12.19 The Committee notes that the ADB appears to adopt a more stringent attitude to access to its project documents. AIDAB indicated that it was unable to provide the Committee with details of a Nepal pulp mill project supported by the ADB because 'documents relating to this Project are confidential to the ADB and we would require clearance'.³⁰ The Committee has not received evidence that NGOs have obtained ADB documents through other sources.

12.20 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.

12.21 The Committee further recommends that AIDAB (through the Department of Foreign Affairs and Trade) include in its annual report:

- a statement of the operation and level of use resulting from the access provided by the policy recommended above [at paragraph 12.18]; and
- an assessment of the method and effectiveness of liaison between the ADB and NGOs.

AUSTRALIAN INPUT INTO MDB DECISION-MAKING

12.22 Treasury informed the Committee that the Directors representing Australia at the World Bank and the Asian Development Bank:

have been instructed to continue to play a constructive role in the implementation of ... environmental initiatives and continued efforts to improve the environmental work of the Banks. However, the impact of such efforts is influenced by the size of our Bank constituencies, which have 3.3 per cent of votes in the World Bank and 7.3 per cent in the ADB.³¹

12.23 AIDAB advised the Committee that most decisions on project proposals are reached by consensus and the matters 'seldom, if ever, come to a formal vote in the Executive Board'.³²

To exercise effective influence however, an Executive Director needs adequate information about the environmental aspects of projects so that he can engage in detailed discussion with relevant Bank staff before proposals come before the Board.

This consensus style of decision making allows scope for co-operation between EDs [Executive Directors] who hold similar views on a particular issue. In particular it is an effective way for Australia to support environmental initiatives from the United States.³³

12.24 Dr Warford provided some interesting comments on the decision-making process of the World Bank and the role of Board members. When asked whether any projects had not been proceeded with because of an adverse environmental assessment he said:

I do not know of any dramatic examples where we have gone all the way through developing a project and said 'Sorry' at the last minute - there is no such project. In fact, the decisions are made way upstream at a very early planning stage of a project.³⁴

He indicated that the final decision about a loan is made by the Board but that:

there are key points in the decision-making process. By the time it gets to the board it is too late [for the environmental department to be influential]. In many cases by the time it gets to the Vice-President for Operations it is too late. The key points in the decision are made very, very early on ... In the event that there is a major disagreement between the environmental division and the rest of the vice-presidential unit, they have the right of appeal to the Vice-President, who basically makes the decision about whether the loan will go ahead or not.³⁵

12.25 When asked what the implications were for Australian representation, given that important decisions were made lower down than board level, Dr Warford commented that:

The role of board members varies tremendously according to the board members. Some of them are much more active than others, but they do play an important role. A letter from the executive director or a telephone call ... is something which we take very seriously, of course.³⁶

12.26 AIDAB informed the Committee that because of the limited scope for influencing project proposals, the main effort of Australian Executive Directors' Offices at the MDBs has been directed towards influencing policies. For example, efforts to increase environmental work have been supported in Board policy discussions, committees, and other meetings. Australia has also consistently raised concerns about the environmental impact of projects with senior Bank staff.³⁷ Comments that Australia's participation in the decision-making process has been inadequate and ineffective, in part because 'we have few rights and little power to direct (... given the voting structure of the World Bank)³⁸ need to be viewed in this context.

12.27 The former Australian Executive Director at the World Bank has also 'cautioned that attempts by industrial countries to impose their values on developing countries can be counterproductive and can create resistance to desirable policy change'.³⁹

12.28 The Rainforest Information Centre noted that the Australian Treasury appeared to rely on information collected by the World Bank for its assessments, with the role of the Executive Director and staff of the Australasian Sector being to vet projects with respect to economic feasibility and return. It stated:

Australia will become an adequate and effective contributor to the decision making process of the international banks and multilateral aid agencies in relation to the environmental aspects of development projects when it develops the ability to assess the environmental and cultural effects of proposed developments itself.

... [this] will occur when the knowledge, skills and advice of the 'people on the ground', the organisations and peoples within both donor and recipient countries that are concerned with these issues, is sought and used.⁴⁰

Australia's Participation

12.29 The Joint Committee on Foreign Affairs, Defence and Trade in its report of February 1989 expressed the view that continued Australian membership of the Bank was an essential aspect of the aid program. However, it warned, effective membership required greater participation and awareness of development issues in policy formulation.

12.30 The Committee recommends that the Bank's programs, as they affect the environment, be carefully monitored by Australian representatives. Effective Australian membership of the World Bank requires greater awareness of the Bank's handling of environmental issues.⁴¹ The World Bank is more a development agency than a bank and the relevant Australian Government authority to participate should be the one central to our ODA programs. Australian representatives therefore 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.

TREASURY'S ASSESSMENT OF WORLD BANK ENVIRONMENTAL PLANNING PROCEDURES

12.31 Mr Tormey of the Department of the Treasury emphasised the role of the boards of executive directors in determining the banks' policies. The boards put environmental policy in place and determine the various procedures which bank management should follow.⁴² Mr Tormey noted that recent initiatives in both banks were decided on by the boards and that:

if the banks' internal procedures are good enough projects which are bad environmentally should not reach the board level and we now have various layers of protection.⁴³

12.32 Treasury described the process of checking as being firstly the preparation of environmental impact statements by the recipient countries themselves, under guidelines laid down by their own environmental legislation and with considerable technical assistance from the bank and other international agencies like UNEP.⁴⁴ This was followed by a project analysis by the World Bank staff following 'quite comprehensive guidelines' laid down by the bank. Adherence to this process was ensured by 'watch-dog environmental units', and backup assistance supplied by the environmental department. The board then reviewed this process taking into account comments from non-government agencies and external consultants.⁴⁵ Treasury concluded:

that process should ensure projects coming to the board which are environmentally sound. If something slips thorough the net the executive directors using the project documentation, using the views of NGOs with their direct access to bank staff and with their access to backup in their own governments can make those views known, and if need be, vote against the project.⁴⁶

12.33 One of the submissions received by the Committee claimed that the Australian Executive Director at the World Bank 'has never objected to a project'.⁴⁷ Treasury contradicted this⁴⁸, pointing to examples in its submission of occasions where the Australian Executive Director of the World Bank criticised the World Bank's environment record. He is said to have described a major policy paper by the World Bank on Environment, Growth and Development as a 'somewhat smug document' which 'perhaps did not address directly enough bank mistakes in the environmental area'.⁴⁸

12.34 So far as the Asian Development Bank is concerned it is known that an Australian Executive Director asked that it be recorded in the Minutes of a Board Meeting that he did not support a Nepal pulp and paper project, the objection being on environmental grounds.⁴⁹ Treasury admitted, however, that the voting record of the Executive Director is not usually made available to the public. It is provided to member governments on the rare occasions that a formal vote is taken on an issue.⁵⁰ Whenever possible the Bank attempted to reach decisions by consensus. Treasury informed the Committee that:

Australian representatives at the World Bank have strongly supported recent efforts to improve the Bank's environmental performance ... [the former Australian Executive Director] took a prominent role in efforts to enhance the Bank's environmental work in policy discussions in the board, in relevant committees and in informal discussions with other ED's [Executive Directors] and Bank Staff.⁵¹

12.35 The 1987-88 Report of the Executive Director representing Australia's constituency at the World Bank stated that:

We have ... been supportive of the Bank's efforts to put more emphasis on environmental considerations. In short, we have accepted the prevailing view that development which leads to environmental degradation is not sustainable and, accordingly, is inconsistent with the Bank's longer-term development mandate.⁵³

12.36 It is clear that the concerns expressed in many submissions flow from a lack of publicly available information. AREA and ACFOA recommend that AIDAB prepare an annual report on the use of Australian funds by multilateral development banks.⁵⁴ According to the Working Group on the Environmental Effect of Overseas Aid, AIDAB should have staff trained in ecology and socio-cultural impact analysis to regularly assess 'all Australian multilateral aid projects' and should 'report to the Treasurer, Department of Foreign Affairs and the Australian people annually'. The report should:

highlight recommendations for issues to be raised by Australian representatives on international financial institutions and ultimately the proportion of the aid budget allocated to international financial institutions.⁵⁵

12.37 **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'.**⁵⁶ The Committee endorses this recommendation.

Conclusion

12.38 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.

12.39 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.

12.40 Australia's effectiveness in the MDBs is dependent upon the policy advice and project assessments provided to the Executive Directors representing its constituency. **The Committee has recommended [at paragraph 12.9] that Treasury, AIDAB and DASETT establish a regular and systematic process of consultation in order to produce the advice necessary for Executive Directors to effectively represent Australia's position on environment policy as it affects proposed projects.**

12.41 The Committee believes that Australian NGOs could play a significant part in assessing projects and providing feedback to Australia's representatives in the MDBs. In order to facilitate this contribution the Committee has recommended [at paragraph 12.18] that Treasury and AIDAB develop a policy to provide relevant organisations with access to appropriate MDB documents.

12.42 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 information should be made available on a regular basis.

12.43 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 11.39, this reporting function will reside with AIDAB through the annual report of the Department of Foreign Affairs and Trade.

John Black
Chairman

December 1989

ENDNOTES

1. Institute of Foresters of Australia Submission (No. 9), p. 3.
2. AIDAB Submission (No. 1), p. 23, Transcript of Evidence, p. 656.
3. Mr R Rollason, Transcript of Evidence, p. 1207.
4. Ms W Fisher, Transcript of Evidence, pp. 806-7.
5. Mr P Tormey, Transcript of Evidence, p. 236.
6. *ibid.*, p. 239.
7. *ibid.*, p. 236.
8. *id.*
9. *ibid.*, p. 238.
10. AIDAB Review, *op.cit.*, p. 70.
11. *ibid.*, p. 71.
12. Mr P Tormey, Transcript of Evidence, p. 238.
13. Mr N Quinn, Transcript of Evidence, p. 930
14. Mr N Quinn and Mr B Odgers, Transcript of Evidence, pp. 931 and 932.
15. Mr B Odgers, Transcript of Evidence, p. 932.
16. AIDAB Submission (No. 1A), p. 6.
17. AIDAB Submission (No. 1), p. 23, Transcript of Evidence, p. 656.
18. Mr D Farrow Submission (No. 11), p. 6.
19. Working Group on the Environmental Effect of Overseas Aid Submission (No. 41), p. 9, Transcript of Evidence, p. 435.
20. Mr G Barrett, Transcript of Evidence, pp. 1204-5.
21. AIDAB Submission (No. 1), p. 24, Transcript of Evidence, p. 657.
22. Mr G Barrett, Transcript of Evidence, p. 1208.
23. Treasury Submission (No. 37), p. 13, Transcript of Evidence, p. 59.
24. *id.*
25. *id.*
26. Mr Rollason, Transcript of Evidence, p. 1206.
27. Mr G Barrett, Transcript of Evidence, p. 1205.
28. *ibid.*, p. 1209.
29. *ibid.*, p. 1210.

30. Letter from D Barber, Acting ADG, Appraisals, Evaluation and Sectoral Studies Branch, to Secretary, 9 December 1988.
31. Treasury Submission (No. 37), p. 15, Transcript of Evidence, p. 61.
32. AIDAB Submission (No. 1), p. 24, Transcript of Evidence, p. 657.
33. *ibid.*, pp. 657-58.
34. Dr J Warford, Transcript of Evidence, p. 10.
35. *ibid.*, p. 21.
36. *ibid.*, p. 39.
37. AIDAB Submission (No. 1), p. 24, Transcript of Evidence, p. 657.
38. Mr D Farrow Submission (No. 11), p. 7.
39. Treasury Submission (No. 37), p. 14, Transcript of Evidence, p. 60.
40. Rainforest Information Centre Submission (No. 20), p. 13, Transcript of Evidence, p. 950.
41. AIDAB Review, *op.cit.*, pp 74-75.
42. Mr P Tormey, Transcript of Evidence, p. 233.
43. *id.*
44. *id.*
45. *ibid.*, p. 234.
46. *id.*
47. AREA Submission (No. 28), p. 28, Transcript of Evidence, p. 367.
48. Mr P Tormey, Transcript of Evidence, p. 233.
49. Treasury Submission (No. 37), Attachment 15, p. 2, Transcript of Evidence, p. 213.
50. Treasury Submission (No. 37), Attachment 16, Transcript of Evidence, pp. 214-15.
51. Mr P Tormey, Transcript of Evidence, p. 249.
52. Treasury Submission (No. 37), p. 13, Transcript of Evidence, p. 59.
53. The World Bank Office of the Executive Director for Australia, Kiribati, Republic of Korea, New Zealand, Papua New Guinea, Solomon Islands, Vanuatu and Western Samoa, 1987-88 Report, p. 8 [Attachment 3 to letter from D Barber, Acting ADG, Appraisals, Evaluation and Sectoral Studies Branch, AIDAB, to Secretary, 9 December 1988].
54. Mr G Reynolds, Transcript of Evidence, p. 411; Mr R Rollason, Transcript of Evidence, p. 1212.

55. Working Group on the Environmental Effect of Overseas Aid Submission (No 41), p. 9, Transcript of Evidence, p. 435.
56. DASETT Submission (No. 42), Transcript of Evidence, p. 858.

SECTION 5

APPENDICES

APPENDIX 1

The following individuals and organisations made written submissions to the Committee:

Submission

No.

- 1 Australian International Development Assistance Bureau, Canberra, ACT
- 2 Dr R Buckley, CRES, Australian National University, Canberra, ACT
- 3 Mr C McQueen, Honiara, Solomon Islands
- 4 Australian Centre for International Agricultural Research, Canberra, ACT
- 5 Dr D E Pfanner, Campbell, ACT
- 6 Ms L Carle, Wollstonecraft, NSW
- 7 University of New South Wales Wilderness Society, Wollstonecraft, NSW
- 8 Ms K Paulovics, Mount Nelson, TAS
- 9 Institute of Foresters of Australia, Brisbane, QLD
- 10 Dr F Fisher, Clayton, VIC
- 11 Mr D Farrow, Isabel Province, Solomon Islands
- 12 Mr S W Brown, O'Connor, ACT
- 13 Not received
- 14 The National Council of Women of Australia, Stephney, SA
- 15 Mr I Peter, Lismore, NSW
- 16 Mr M N Spencer, Sydney, NSW
- 17 World Vision of Australia, Holt, ACT
- 18 Results Australia, Canberra City, ACT
- 19 Dr J Davis, Kew, VIC
- 20 Rainforest Information Centre, Lismore, NSW
- 21 Dr J R Robbins, Kambah, ACT
- 22 Mr Stuart Stark, Cook, ACT
- 23 Ms P Harley, Turner, ACT
- 24 Mr J Fenton, Pearce, ACT
- 25 Conservation Council of South Australia Incorporated, Adelaide, SA

- 26 Dr F Veit, Fitzroy, VIC
- 27 Ms J Frenda, Gymea Bay, NSW
- 28 Association for Research and Environmental Aid (Ltd), Sydney, NSW
- 29 Mr B Mason, Pearce, ACT
- 30 The Big Scrub Environment Centre Inc., Lismore, NSW
- 31 Miss N Stewart, Castlecrag, NSW
- 32 Ms M Robertson, Fairlight, NSW
- 33 Mr G Johnson, Cook, ACT
- 34 Ms N Ravenswood, Ascot Vale, VIC
- 35 Ms A Bolitho, Turner, ACT
- 36 IUCN Australian Committee, Sydney, NSW
- 37 The Treasury, Canberra, ACT
- 38 Soil Conservation Service, New South Wales Government, Sydney, NSW
- 39 Canopy Native Forest Committee, Total Environment Centre, Sydney, NSW
- 40 Ms R Raiki, Thora, NSW
- 41 Working Group on the Environmental Effect of Overseas Aid, Fitzroy, VIC
- 42 Department of the Arts, Sport, the Environment, Tourism and Territories,
Canberra, ACT
- 43 Australian Council for Overseas Aid, Canberra, ACT
- 44 M Dickson, Annandale, NSW
- 45 Mrs M Nordon, Strathfield South, NSW
- 46 Wildlife Survival Inc, Manly, NSW
- 47 Ms E Coleing, Woollahra, NSW
- 48 Ms J Paterson, Northcote, VIC
- 49 Ms M Luguu, South Yarra, VIC
- 50 National Parks & Wildlife Service, Hurstville, NSW
- 51 Wildlife Protection Agency, Melbourne, VIC
- 52 Ecology International, Avalon, NSW
- 53 Ms J Warneke, Queenscliffe, VIC
- 54 Mrs E Maskey, Eastwood, NSW

APPENDIX 2

Individuals and organisations who appeared as witnesses before the Committee

Date of Hearing	Individuals/Organisations	Represented By
17 March 1988 (Canberra)	World Bank Washington DC	Dr J J Warford Acting Director, Environmental Department
26 September 1988 (Canberra)	Treasury Canberra, ACT (Submission No. 37)	Mr P W Tormey Assistant Secretary, International Finance and Development Division
		Mr J A Ross Capital Markets Division
	World Vision of Australia Melbourne, Victoria (Submission No. 17)	Mr P Hunt Executive Team Leader
		Mr P B Cormack Associate, Development Services Department
	Results Australia Canberra, ACT (Submission No. 18)	Ms K F Cloud Executive Director
	Association for Research and Environmental Aid Sydney, NSW (Submission No. 28)	Mr G P Reynolds Vice-President
	Working Group on the Environmental Effects of Overseas Aid Fitzroy, Victoria (Submission No. 41)	Mr P J Durkin, member Mr J F Minifie, member Ms W S Smulders, member
29 September 1988 (Canberra)	Mr WS Brown O'Connor, ACT (Submission No. 12)	

Date of Hearing	Individuals/Organisations	Represented By
31 October 1988 (Canberra)	Dr R Buckley Canberra, ACT (Submission No. 2)	Dr P McCawley Acting Director-General
	Dr D Pfanner Campbell, ACT (Submission No. 5)	Mr C E T Terrell Deputy Director-General, Country Programs Division
	Australian International Development Assistance Bureau Canberra, ACT (Submission No. 1)	Mr R Stensholt Acting Deputy Director-General, Policy, Planning and Management Division
		Dr D F De Stoop Assistant Secretary, International and General Legal Branch, Department of Foreign Affairs
		Ms W L Fisher Director, International Financial Institutions Section
		Mr S Wood Senior Environmental Advisor, Appraisal, Evaluation and Sectoral Studies Branch
		Mr W S Brown Aid Analyst, Appraisal Evaluation and Sectoral Studies Branch

Date of Hearing	Individuals/Organisations	Represented By
1 December 1988	Department of the Arts, Sport, the Environment, Tourism and Territories (Submission No. 42)	Mr N J Quinn First Assistant Secretary, Conservation Division
	Rainforest Information Centre Lismore, NSW (Submission No. 20)	Ms J DiSano Assistant Secretary, Environment Assessment Branch
	Australian Council for Overseas Aid Canberra, ACT (Submission No. 43)	Mr B J Odgers Director, Procedures and Agreements, Environment Assessment Branch
	Australian Centre for International Agricultural Research Canberra, ACT	Mr A K Haines Director, Marine Protection Section, Conservation Division
	Rainforest Information Centre Lismore, NSW (Submission No. 20)	Mr I Peter Director
	Australian Council for Overseas Aid Canberra, ACT (Submission No. 43)	Mr R Rollason Executive Director
Australian Centre for International Agricultural Research Canberra, ACT	Mr G K Barrett Consultant	
Australian Centre for International Agricultural Research Canberra, ACT	Dr J Ryan Deputy Director	
Australian Centre for International Agricultural Research Canberra, ACT	Dr E Craswell Research Program Co-ordinator, Plant, Nutrition, Soils and Forages	

APPENDIX 3

AUSTRALIAN INTERNATIONAL AGREEMENTS RELATING TO ENVIRONMENTAL MATTERS

- International Convention for the Regulation of Whaling, Washington, 1946
- International Convention for the Prevention of Pollution from Ships, London, 1973
- International Convention on Civil Liability for Oil Pollution Damage, Brussels, 1969
- International Convention Relating to Intervention on the High Seas in Cases of Oil Pollution Casualties (as amended), Brussels, 1969
- The Antarctic Treaty, Washington, 1959
- Convention on Wetlands of International Importance Especially as Waterfowl Habitat, Ramsar, 1971
- Convention for the Conservation of Antarctic Seals, London, 1972
- Convention Concerning the Protection of the World Cultural and Natural Heritage, Paris, 1972
- Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter, London, Mexico City, Moscow, Washington, 1972 (also known as the London Dumping Convention)
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), Washington, 1973
- Convention on Early Notification of a Nuclear Accident, Vienna, 1986
- Convention on Assistance in the Case of Nuclear Accident of Radiological Emergency, Vienna, 1986
- South Pacific Nuclear Free Zone Treaty, Rarotonga, 1985
- Agreement between the Government of Australia and the Government of Japan for the Protection of Migratory Birds and Birds in Danger of Extinction and their Environment, 1974

- Agreement between the Government of the People's Republic of China and the Government of Australia for the Protection of Migratory Birds and their Environment, 1986
- Montreal Protocol on Substances that Deplete the Ozone Layer, 1988
- International Tropical Timber Agreement, Geneva, 1983

Three other conventions have been signed but are not yet ratified.

They are:

- Convention for the Protection of the Natural Resources and the Environment of the South Pacific Region, Noumea, 1986
- Convention on Conservation of Nature in the South Pacific, Apia, 1976
- United Nations Convention on the Law of the Sea, Montego Bay, 1982

Consideration is being given to accession by Australia to the Convention on the Conservation of Migratory Species of Wild Animals, Bonn, 1979