

Submission to the Productivity Commission on Ecologically Sustainable Development in the Australian Aid Program

Purpose

The purpose of this submission is to inform the Productivity Commission of the processes and systems that the Australian aid program has in place to ensure ecologically sustainable development. As agreed at our recent meeting, this submission is provided in lieu of filling in the Productivity Commission Questionnaire.

Corporate Plan

The Australian Agency for International Development's (AusAID) Corporate Plan for 1998-2000 states that one of the key result areas for the aid program is to maximise environmental sustainability. The aid program will do this by:

- incorporating strategies to address environmental sustainability in all Australian aid activities
- providing assistance to address environmental issues, including sustainable natural resource management, urban environmental management, sustainable energy production and global climate change.

Environment Expenditure

The level of Australian aid in 1997-98 aimed at improving the environment in developing countries was \$182 million (over 12 percent of the aid budget), up from \$180 million the year before. This demonstrates the continued commitment to the environmental sustainability of aid projects given the heavy demand put on limited aid funds to address the humanitarian relief needs arising from the El Nino and the Asian Financial Crisis.

AusAID's calculation of environmental expenditure includes both funds spent directly on activities that have the environment as their major priority, and environmentrelated expenditure within more broad activities.

Examples of Projects

Environmental activities are found in a number of sectors: infrastructure (water supply and sanitation), energy (solar), natural resources (forest preservation) and education and training (support for environmental institutions). Some project examples are:

- East Timor Water Supply and Sanitation, Indonesia (\$17m)
- Sea Level and Climate Monitoring, South Pacific (\$14m)
- Hyderabad Waste Management, India (\$6m)

- Department of Environment and Conservation Strengthening, PNG (\$6m)
- Sustainable Forest Utilisation, Vanuatu (\$5m)

Corporate Restructuring

Through a process of corporate restructuring AusAID recently amalgamated its sectoral expertise, including environmental expertise, with its sectoral policy units. Previously, the people who provided technical expertise and those that provided sectoral policy expertise resided in different parts of the organisation. Bringing these two groups together has greatly improved the cohesiveness and the quality of the program. The technical experts provide input to policies being developed for the Agency, while the policy experts ensure that the technical advice provided to country desks is consistent with policy. Under this new structure, policy and technical staff work together in support of country programs, to draft speeches, develop AusAIDwide policies and guidelines, prepare briefings, and conduct a host of other activities. Under the old structure this degree of cooperation rarely took place.

Activity Preparation Meetings

In addition to the corporate restructuring described above, AusAID has recently implemented an operational approach to developing aid activities that provides additional assurance that ESD is incorporated into our aid activities. At the project inception stage, a country desk forms a team that acts as a steering committee for the project throughout the life of the project. The first meeting of the Team is the Initiating Activity Brief Meeting (IAB). The IAB meeting includes representatives from the Sector Groups (both technical and sector policy experts), our contract services group, the sections responsible from evaluating aid projects and improving their quality, and representatives from other country programs who have had experience in either the country or the sector in question. The team scrutinises the idea for the project, offers suggestions on how the idea should be developed, and identifies potential risks, including environmental risks. The team reconvenes periodically (more frequently if problems arise) as the project progresses from inception, to feasibility, design and implementation. This Activity Management process is a relatively recent innovation. It is not yet operating perfectly (the Teams are not convening as often as they should), but it is already resulting in noticeable improvements in the quality of our activities. The key to good projects, is to get designs right from the very beginning of the process. This Activity Management process is designed to do just that. Refining this process is a high priority for AusAID over the coming year.

Environmental Policy

It is AusAID's policy to ensure that the aid program makes a positive contribution to sustainable development. This includes the integration of economic, social and environmental considerations. AusAID's Infrastructure and Environment Group assesses all Australian aid projects in order to determine any potential environmental

impacts. The Group includes policy advisers, an environmental expert, and a social and community development expert.

There are two broad thrusts to AusAID's environment policy:

- . The first involves support to activities that protect the environment.
- . The second thrust is to ensure that activities are designed in such a way as to prevent or mitigate possible adverse impacts on the environment.

Environmental objectives are main streamed into activities right across the aid program. This is reflected in our expenditure and also in our environmental assessment process.

Environmental Guidelines

AusAID strives to ensure the highest possible standard of environmental outcomes is achieved in all relevant activities through rigorous environmental assessment. AusAID's environmental assessment guidelines aim to ensure that environmental factors are considered throughout the life of an aid project. In addition, AusAID uses the comprehensive sectoral guidelines in the World Bank's *Environmental Assessment Sourcebook*

Commonwealth Environment Legislation

AusAID is also required under Commonwealth environment legislation to ensure that all significant matters affecting the environment are taken into account in aid projects. All projects that may have significant implications for the environment are referred to the Environment Protection Group of Environment Australia for an independent assessment.

Performance Information

In preparation for the first outcomes-based budget in 1999-2000 AusAID is now reviewing how it reports on the quality of aid delivered in relation to its key result areas - including the environment. This review will result in an improvement in reporting performance information including performance information on ecologically sustainable development. .

Environment Audits

In the area of the environment a review process has been designed to allow continual improvements in the environmental outcomes of all Australian aid activities. An environmental audit is conducted every three years (one will be completed this financial year) and in each intervening year an evaluation of a small group of activities in an environmental sensitive sector is undertaken.

Environment Training

AusAID provides training to staff members on how to implement the AusAID Environmental Assessment Guidelines. We are currently carrying out an in depth study on how to best initiate training which will result in improvements to our current training methods. AusAID's Infrastructure and Environment Group also organises, on an ad hoc basis, seminars on topical environment issues

Consultations with NGOs and industry

AusAID holds consultations with the NGO community and industry representatives 23 times a year. The purpose of these consultation is to involve NGOs and industry in environment policy discussion. Not only does AusAID inform participants at these consultations of what it is doing in the area of environment and development, NGOs and industry representatives provide AusAID with useful feedback, advice and information.

Best Practice

Last year an OECD evaluation of aid practice in the environment concluded that AusAID's systems and approaches (described above and in the documents we have provided to the Productivity Commission) represent a model of excellence for other donors. DACCA used words such as "innovative" "comprehensive", "unique", and "proactive" to describe AusAID's approach.

Contacts

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