Aiding the Environment:

The challenges of integrating EMS into aid agency operations[1]

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Abstract

Aid agencies, like commercial businesses, are increasingly concerned with incorporating sound environmental management into their operations. A number of different approaches are being used to integrate sustainability into development assistance to ensure that environmental impacts are assessed and managed. One approach being used by AusAID, the Australian aid agency, is to implement an environmental management system (EMS) across program and project areas. This paper examines the challenges of integrating EMSs into aid agency operations, and some of the lessons from the Australian experience.

1.0 The greening of development

The concept of 'good development' has always been contested with greater and lesser emphases on economic growth, social and community development, technological transfer and good governance varying with the time, place and organisation (Escobar 1995, Esteva 1992, Sachs 1999). Recent emphasis within multilateral and bilateral aid agencies has been on 'sustainable development' and 'institutional governance', in particular, the complementary goals of poverty reduction and sustainability in a sectoral context (ADB 2003, AusAID 2002, DFID 2000, OECD 2000, World Bank 2000, 2002, 2003a).

The challenge for aid agencies is to incorporate sustainable development commitments to equity, biodiversity conservation, participation, and human well being into the aid program, when bureaucratic decisions are justified most commonly on economic/financial criteria. The Brundtland Report, *Our Common Future*, recognised this challenge and argued that 'major institutional development and reform' were required to achieve sustainability (WCED 1987:10). Today, more than 15 years later we are still struggling with developing suitable institutional reforms which can better support sustainability.

At the Earth Summit (1992) leaders from around the world tried to translate the concept of sustainability into action. They agreed to an action agenda (Agenda 21), as well as multilateral environment agreements on climate change, biodiversity conservation and forest management principles. But even this initiative did not bring about significant institutional change. The recent Johannesburg Plan of Action developed at the World Summit on Sustainable

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[1] A longer, more comprehensive version of this paper is available from Meg Keen.

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Development (2002) provided an additional catalyst for further action. The Plan explicitly incorporates actions to address the links between economic development, poverty reduction and sustainable management in core natural resource sectors including energy, forestry, and water. Similarly, the *Millennium Development Goals* which are being used by multilateral agencies as a framework for development assistance, have as one of their central goals (#7) 'ensuring environmental sustainability'.

The challenge remains to translate these noble ideas into action. In the following sections we give an overview of the greening of aid internationally. We then turn to the EMS of the Australian aid agency as a case study to illustrate practical measures that can be taken to achieve greater sustainability within an aid program, as well as the challenges of making environmental assessment and concepts of sustainability integral to aid delivery. Particular challenges include:

- to change the dominant 'aid culture' to make environmental assessments integral to the aid agenda
- to address the political complexities of implementing EMS across a number of diverse internal and external agents
- to build capacity at all levels of the agency hierarchy concerning the nature and scope of EMS
- to establish an EMS which is flexible enough to deal with 'rolling', decentralised designs.

The paper concludes with recommendations for the implementation of Environmental Management Systems (EMSs) within development assistance agencies.

2.0 Sustainability and development assistance : the changing face of aid

The World Bank's Environment Strategy recognises, on paper at least, that sustainability requires organisational change and capacity building 'in-house', as well as a change to the design and conditions of aid. The Strategy aims to mainstream the environment by:

- making environmental sustainability a core area of the Bank's concern
- building staff capacity in environmental assessments though the use of specific training targets
- using finance to lever action on sustainability issues, and
- committing to institutional 'realignment' to achieve sustainability goals promulgated at world forums and through Multi-lateral Environment Agreements (MEAs).

Other multi-lateral and bi-lateral agencies have similar policies and conditions that promote the integrations of environmental concerns into aid agency decision making frameworks (see Table 1).

With the rise of environmental or natural resource sustainability as a core development assistance issue comes the corresponding challenge of establishing organisational frameworks and tools to ensure that environmental strategies, policies and action plans actually affect decision making processes and outcomes.

Table 1 : Examples of sustainability promotion through development assistance

Agency	Examples of Initiatives
The World Bank	***Environment Strategy:*** A strategy to mainstream environment issues and analyses into Bank operations (see Box 1). ***Environmental Assessment Procedures & Policies***: to ensure policy & procedures are environmentally sound and sustainable. ***World Development Report 2003 – Sustainable Development in a Dynamic World*** : This report reviews progress toward sustainability and highlights needed institutional change. ***Environmental Assessment Sourcebook Updates***: Brief technical papers aimed at building capacity for environmental assessment..
Asian Development Bank (ADB)	***Environmental Policy and Operations Manual:*** Clarifies the environmental considerations to be taken into account in ADB operations. ***Environmental Assessment Guidelines***: Outlines procedures of the assessment of all project, program and sector loans. ***Country Environmental Assessments***: A strategic assessment of environmental issues, specific to developing (recipient) countries. ***Rapid Environmental Assessment checklists***: A tool to ensure consistency across environmental assessments, and to build capacity.
AusAID (Australia)	***Environment Management Guide for Australia's Aid Program 2003***: An environmental management system to assign responsibilities, guide procedures and processes, and structure regular evaluations. ***Environmental Capacity Building***: A limited program of capacity building was commenced in 2003. ***Policy Development***: key policy documents commit AusAID to 'mainstreaming the environment'. ***Federal Legislation***: The EPBC Act (1999) requires environmental assessments of all aid projects likely to have a significant impact on the environment.
CIDA (Canada)	***Environmental Sustainability Policy***: A country and regional policy framework is provided for the development of environmental strategies. Guidelines for environmental programming and assessment are outlined. ***CIDA Annual Reports***: Document progress in implementing sustainability policy. ***Capacity Building***: Sustainability policy commitment to increasing capacity of local/recipient countries.
European Commission	***Environmental Impact Assessment & Strategic Impact Assessment Directives***: Directives obligate member states to take into account environmental impacts of actions both domestically and internationally. Implementation of these directives has, however, been uneven across members.
US Aid (United States)	***Agency Strategic Plan***: Addresses environment and sustainability issues, and mainstreams sustainability issues into the management system. ***Federal Legislation:*** Title 22 (22 CFR 216) of the Code of Federal Regulation sets our environmental assessment (EA) procedures, including the mandatory EA of projects. The National Environmental Protection Act (NEPA) 1979 provides for environmental review of federal agency actions outside of the US. ***Annual Performance Plans***: Contain performance goals specific to environmental protection/sustainability. ***Capacity Building***: projects and programs include environmental training for agency and recipient country.

3.0 Australian Development Assistance and Environmental Management

The Australian Agency for International Development (AusAID) is the national government development cooperation agency. AusAID (then AIDAB) recognised the need for environmental assessment of its activities in the late 1980s, and since the early 1990s articulated two broad environmental policy directions: supporting activities which protect or improve the environment; and, ensuring activities are included in project designs to prevent/mitigate possible negative environmental impacts.

The rise in importance of environment management in the Australian aid program was influenced significantly by two new policy initiatives:

1. the Australian government policy commitment to 'ecologically sustainable development' (ESD) (Australia 1990; 1992) defined as development that improves the total quality of life, both now and in the future, in a way that maintains the ecological processes on which life depends; and,
2. the new environmental legislation, the Environment Protection and Biodiversity Conservation (EPBC) Act 1999 which obliges AusAID to undertake environmental assessments of any development activities which are likely to have a significant impact on the environment.

The 1999 EPBC Act is explicit about the obligations of AusAID with respect to environmental protection, and the means by which inter-agency coordination should occur. The Act (Section 160) requires that Australian actions overseas – including specifically the delivery of aid - which have significant impacts on the environment, must be referred to the Minister for Environment through DEH for assessment.

This action forcing Section (S.160) of the EPBC Act served as a catalyst for AusAID to implement an Environmental Management System (EMS) that provides adequate guidance to officers so they can meet their and the Agency's legal obligations. There are five main steps in the EMS:

1. Understanding and taking into account policy and legal settings
2. Environmental assessment and management planning
3. Implementation
4. Monitoring and evaluation
5. Executive review

The AusAID Environmental Management Guide is directly linked to the project cycle. It includes an outline of the EMS procedures at each stage of the project cycle, and checklists for undertaking environmental assessments and developing management plans. The EMS includes requirements to seek the advice of other agencies and stakeholders in making assessments, to ensure contractors have monitoring and evaluation programs in place to deal with unforeseen impacts of aid, and to evaluate the integration of environmental assessments into agency wide activities. The requirement for regular executive reviews of the environmental management system carries with it the possibility of changing structures and procedures over time to ensure better integration of environment, sustainability and development. The EMS

provides a sound basis for meeting AusAID's legal obligations and pursuing greater sustainability; however, important challenges with respect to capacity building, impact analyses, institutional integration, monitoring and strategic assessment remain.

4.0 Challenges and Innovations: AusAID EMS

The environmental audits undertaken by AusAID of its programs since the late 1980s have demonstrated that the Agency's environmental performance has improved steadily through the early 1990s. In 1999 AusAID undertook an audit of its environmental performance under the 1994/1996 guidelines, and reported the outcomes internally and to its external Environment Consultative Committee in May 2001, as a basis for recommendations for the development of the new EMS and environmental guidelines. That review demonstrated that in a significant majority of cases (about 90%) implementing contractors made serious efforts to integrate environmental management into project delivery. In particular, interventions with explicit environmental or natural resource management (NRM) objectives were successful in implementing environmental assessments and follow-up. Most failures to consider environmental impacts and to develop environmental management plans occurred in sectors not traditionally associated with environmental issues (eg health, transport, educational infrastructure) and in small NGO activities.

The challenges and opportunities facing AusAID under the new EMS, detailed below, are drawn from our own experiences as a trainer of AusAID officers in the implementation of the EMS system (Keen) and as the in-house environment adviser in AusAID from 1997-2004 (Sullivan). We have also drawn on our knowledge of public project documentation (ie project design documents, midterm reviews, project evaluations and personal observations). In the interests of confidentiality, we do not identify specific projects or individuals.

4.1 Turning words into action : professional support and capacity building

Professional support and training are important cornerstones of any EMS. AusAID officers who need to assess the environmental impacts of aid and design sustainable projects use the EMS guidelines to help them with their analyses. This is in contrast to the 1996 EIA guidelines which were insufficiently detailed for non-specialists to use.

Prior to the publication of the 1996 guidelines, AusAID conducted regular in-house environmental management training, but allowed this to lapse when formal environmental assessment guidelines were distributed, assuming incorrectly that having guidelines was adequate support, and further environmental training was redundant. In 2003 AusAID again commenced formal environmental training for its staff. Because the 2003 guidelines provide step-by-step procedures, they are a good basis for capacity building and training, unlike the previous guidelines. However, the capacity building has not been strategic. At present there are no specific environmental training targets in the Agency's human resource development plans. This is in contrast

to the World Bank which has specified the percentage of staff to be trained and the type of officers who will receive training.

A strong strategic approach to capacity building would strengthen EMS implementation across sectors and internal management hierarchies. For AusAID, this would mean targeting:

- the 'new generation' of Agency staff given the more than five year lull in capacity building activities in this sector
- the higher levels of management who need to incorporate the EMS in their operations, including the assessment of country and regional development activities and strategies
- the central and post staff who need to collaborate to achieve a thorough assessment of environmental impacts; this training would include skills in community consultation and networking, and
- partner agencies, notably the government and non-governmental agencies, which jointly implement the development projects and programs.

While targeting AusAID staff is fairly straightforward, capacity building in partner agencies can be more complex, particularly when the activities cross institutional boundaries as is exemplified by projects concerning waste management, catchment management, and public works. To get the full benefits of capacity building, it may be necessary to bring together representatives from a number of national agencies that do not normally interact, to ensure there is a critical mass of people with knowledge of environmental assessment and management issues.

In one Pacific project aimed at building capacity in environmental management, a technical steering committee was established with representatives from nine agencies with responsibility for different aspects of environmental management. They were involved in the project to gain valuable experience and to learn from each other, in addition to the more formal training they received. The skills accrued over the life of the project were considered valuable enough that the national government took over and constituted this group as its formal national environmental advisory committee. Not only did this benefit the country and its environmental policy implementation, it also provided a valuable human resource for the design and implementation of future aid concerned with integrated environmental management.

4.2 Impact analysis – revealing the institutional dimensions

To reinforce the need for integrated socioeconomic and biophysical analyses, AusAID's environmental management guidelines include an explicit discussion of some of the cumulative impacts and linkages between poverty and environment. The guidelines include sector/area specific checklists which assist people to think systemically and analyse the direct and indirect environmental impacts across a full range of issues – including areas beyond

their own special field of expertise. The checklists are also useful reminders to consult widely, and to incorporate activity monitoring or evaluation into project and program designs.

Independent audits of AusAID's performance since 1992 have been positive concerning the incorporation of environmental impact analysis and mitigation into aid activities. Similar to other development agencies (DFID 2000, World Bank 2000, ADB 2003), all environmental audits and reviews in AusAID have found that it is not the biophysical or even the social dimensions of environmental impacts that underlie some of the weaker analyses which lead to project difficulties, but rather the institutional dimensions. In particular, unintended institutional impacts can occur when unfamiliar approaches, values and epistemologies are introduced into organisations in an effort to improve environmental management.

In many countries where communities rely on natural resources for subsistence or cash income generation, changes to formal legal structures commonly come in conflict with informal traditional resource tenure (eg Bangladesh, India, Nepal, Papua New Guinea, Kiribati) causing social disruption. This is well exemplified by land and natural resource tenure issues which lie at the intersection of social and ecological sustainability. Any impacts on the security of tenure or usufruct are likely to be fundamental to project sustainability and local communities' willingness to engage in sustainable environmental management. When legislative or project initiatives in aid projects appear to undermine community authority, one can expect an adverse community response.

Under these circumstances it can be hard to predict how the complex human interactions will play out because the situation is dynamic and cultural values can change. Strong local partnerships and environmental monitoring provisions within EMSs are useful for gaining insights about cultural norms and unforeseen indirect impacts of projects. The on going monitoring of the local situation makes it possible to adapt projects and programs as unexpected outcomes and opportunities arise – providing communications between local and central staff are strong, and the frameworks for aid delivery remain flexible and reflective over time.

4.3 Integrated analyses: building partnerships for environmental assessment and management

For AusAID's EMS to work effectively, integration and communication are vital. In development projects where the environmental management mandate lies with another government agency, horizontal linkages are important. An area of potential tension that has been handled well in Australia is the inter-agency collaboration (in this instance between AusAID and DEH). Collaboration has been assisted by clear protocols for interactions between Ministers (and their Departments) and clear legal procedures, as discussed earlier under the EPBC Act. The establishment of a formal method of operating outlined in a 'Record of Understanding' has encouraged a closer

working relationship between the agencies. Over time these more formal arrangements have been complemented with informal supportive arrangements between the agencies were guidance can be provided unofficially, for example through the involvement of DEH representatives on project technical advisory committees.

The clear allocation of roles and responsibilities is not as well defined in relations to central agency and post staff. Currently, AusAID is shifting its management structure to a more decentralised one. Creating strong linkages between the central office and the in-country post for the purposes of jointly implementing the environmental management system throughout the project cycle has been challenging. There is some confusion about the roles that are to be played by the different offices and officers. Project designs have been a central office function while management of project implementation has been decentralised. Collaborative processes throughout the activity cycle have not yet been determined satisfactorily and some post officers still feel excluded from the early stages of environmental assessments, and the designing of projects and monitoring frameworks.

Collaborations and communication in aid delivery is even more complicated when diverse partners are engaged in aid development and delivery. There is the challenge of establishing and maintaining partnerships with in-country agencies and contracted parties while maintaining a common understanding of environmental procedures. Between agencies there has been some success in the Pacific at negotiating agreements or Memoranda of Understandings (MOUs) between partners concerning key issues such as environmental data sharing, responsibilities for environmental training, monitoring, and enforcement, and resource allocations for environmental management activities. These agreements can help to build trust between partners and raise awareness of the relative strengths and capabilities each has – but they remain rare.

4.4 Streamlining the system: taking a strategic approach

AusAID's EMS has combined environmental impact assessment of activities and strategic environmental assessment in one integrated process. The system will be most effective if implemented consistently across AusAID, partner agencies, and contractors. At present, some country strategies include strategic environmental assessments, especially where land or water resource management issues are highlighted, others leave all assessments to be undertaken at the specific program/project level. The risk of the latter approach is that issues arising from synergic or cumulative impacts associated with the portfolio of projects/programs in an area may be neglected. In general, it is likely that the AusAID EMS, as well as other agencies' attempts to integrate SEA into internal operations, would benefit from a more formalised and structured process (Fisher 2003).

The AusAID guidelines do require that the AusAID EMS procedures mesh with partner country systems (if they exist) or agreement must be reached on which aspects of each system apply, and under what circumstances. In several instances (eg in Indonesia, Papua New Guinea, and Tonga) EMS procedures

developed through AusAID projects have become institutionalised by the partner governments as standard national procedures. Partnering for the purposes of implementing an EMS has had the dual benefit of ensuring sound environmental management for the proposed aid program, and of building institutional capacity for environmental management.

The benefits of multi-agency participation has also been felt within Australia where the new environmental legislation has forced a closer relationship between AusAID and DEH for the purposes of strategic assessments. The coordinated and strategic assessment of large regional projects, such as the recent Pacific program concerning the removal of Persistent Organic Pollutants (POPs), successfully involved several government agencies, the South Pacific Region Environment Programme (SPREP), and partner countries. This type of collaboration can forestall unexpected demands for referrals, alerts DEH to potentially significant activities, facilitates a consistent 'whole of government' perspective from Australia, and opens the early assessment process to regional partner participation. The strategic assessment included an analysis of the impacts of the project with regard to:

- national legislation (EPBC Act and other partner country legislation)
- Australia's and partner countries' international obligations (Basel and Waigani conventions on transboundary movements of hazardous wastes; Stockholm convention on chemical safety)
- regional priorities as defined by SPREP
- potential for synergies between project activities and those of the Global Environment Facility, the International Forum for Chemical Safety, New Zealand Aid, and the Pacific Regional Waste Education and Awareness Project – all with activities in the region and in the waste management sector
- institutional and waste management capacity in country, and the need for capacity building.

Internal reviews of the POPs program have been extremely positive suggesting the strategic assessment has helped to build a strong program design and environmental management plan. Ongoing reviews of the EMS operation across AusAID will determine whether there needs to be greater formalisation of the system, and whether it continues to be efficient as well as effective as the Agency moves toward flexible aid delivery.

5.0 Conclusion

There is no doubt that development assistance is looking a lot greener today than it did a decade ago. The international environment forums and conventions have provided an important catalyst for change, as has stronger national environmental legislation. What now exist are sound frameworks for

achieving more sustainable development and adequate tools for environmental assessment. The weakest link is in the ability of environmental management systems which span institutional and geographic boundaries to ensure the strategic implementation and monitoring of sound environmental management.

From the AusAID experience we can draw out a number of lessons, which are briefly summarised below:

Strategic capacity building The strategic training plan should include clear targets concerning the percentage of people to be trained, the target areas for training, the needed support materials, and the timelines.

Procedural guidance Whenever possible environmental checklists, procedures and requirements should be incorporated into the Agency guidelines, or at the very least within these guidelines reference made to the supporting EMS, guides, and check lists.

Harmonisation of inter-agency environmental policy and legislation Harmonisation is needed to ensure efficiency in the administration of aid, to create greater certainty for contractors and to build stronger relationships between agencies operating in overlapping areas.

Institutional integration Environmental assessments need to draw on knowledge from a range of sources including central agency officers and post officers, locals and experts, or aid and environment agencies. This requires the clear establishment of protocols between agencies, and clearly defined roles and responsibilities within and between agencies.

Evaluation To ensure continuous improvement, aid agencies need to ensure that evaluations of project based assessments and decisions, as well as EMS operations, are conducted regularly and used to adapt the system to improve effectiveness and efficiency.

Strategic environmental assessments These need to be carried out at the program level, the country strategy level, and the agency policy level at regular intervals consistent with aid cycles. These assessments should focus on the sound functioning of the system given pre-defined objectives and performance criteria; the overall capacity of the agency to implement the EMS; the quality and effectiveness of the partnerships operating to support the implementation of the EMS; and the consistency between the EMS and counterpart systems.

While this is not an exhaustive list it reflects the key findings from our case study and the reviews of other aid agencies. EMSs by their nature are flexible and adaptive mechanisms that should be continually adjusted to meet changing needs and circumstances. The full and complete integration of EMS into aid delivery is a necessary first step to achieving sustainable development, it will not be sufficient unless we ensure that there is the capacity, commitment and

collaborative arrangements to support its implementation and continuous improvement.

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