



# ACF Submission to the Independent Review of Aid Effectiveness

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## Overview and Recommendations

With respect to the terms of reference for the review this submission focuses on:

1. The sectoral focus on the aid program – environmental sustainability and climate change;
2. The role of civil society organizations – particularly of Australian environment NGOs.

The recommendations also address:

3. Coordination of ODA across the public service;
4. Review and evaluation of the aid program.

## Recommendations

1. That AusAID conduct an Environmental Sustainability Evaluation to examine how the mainstreaming of environment into the aid program over the last 10 years has affected:

- 1.1 Reform of environmental sustainability policy with partner governments. That is, the overall effectiveness of the aid program and engagement by the Australian Government (AusAID and other Australian Government agencies) with partner governments to drive reform toward achieving MDG 7 “Achieving Environmental Sustainability”
- 1.2 Operational practice - the management of environmental impacts of aid projects and the level of achievement in increasing the environmental sustainability of aid programs.

2. That based on the findings of the evaluation in Recommendation 1, AusAID develop a revised Environmental Sustainability Strategy with a focus on guiding how the Australian Government as a whole (AusAID and other Australian government agencies) most effectively contributes to advancing environmental sustainability policy reform with partner countries to achieve MDG 7 “Ensure environmental sustainability” and its sub goals.

As well as drawing on the findings of the evaluation in Recommendation 1, the development of this strategy would draw on lessons from Australian Government agencies and from Civil Society Organisations (CSOs), including aid and development CSOs and environmental NGOs, which are engaged on environmental sustainability policy reform within Australia and internationally. For example in policy reform processes for water management, biodiversity protection, climate change mitigation and adaptation.

3. That AusAID, as part of the process of developing a new Environmental Sustainability Strategy, commission and disseminate research and analysis relevant to the Asia Pacific region that builds on the international initiative "The Economics of Ecosystems and Biodiversity" (TEEB). In particular, to develop a strategy relevant to the Asia-Pacific region, that applies the conclusions and recommendations of the TEEB report "Mainstreaming the Economics of Nature".

4. That AusAID establish a process for improving engagement with Civil Society Organisations (CSOs) in Australia which have a focus on environmental sustainability policy reform. This would begin with engagement of CSOs in the Environmental Sustainability Evaluation proposed in Recommendation 1, and in developing a revised Environmental Sustainability Strategy proposed in Recommendation 2.

5. That AusAID establish a fit-for-purpose mechanism that helps to invest in the capacity of environmental Civil Society Organisations and their international networks, to advance environmental sustainability policy reform in cooperation with the Australian aid program. This would include CSO collaborations (with in country organisations and networks) that focus on good governance, transparency, and monitoring the delivery by partner governments of policy and programs relating to environmental sustainability, such as climate change and forest governance integrity.

# 1. The Problem

## 1.1 A mounting ecological debt that is undermining development gains

Humans rely on ecosystem services to provide food, water, shelter, medicines and many other physical and psychological needs. The health of ecosystems and biological diversity that delivers these services is being run down and the livelihoods of millions of the world's poorest people are deteriorating as a result. The loss of forests, particularly in our Asia-Pacific region, and the overuse of water are just two examples of challenges in the region.

This run down in ecosystem health is being made worse by the impacts of climate change as documented in a CSIRO report on climate change impacts in the Asia Pacific commissioned by ACF with other CSOs in 1996 (refer Climate Change and Development Roundtable at [www.ccdr.org.au](http://www.ccdr.org.au)) and recognised in AusAID policy and objectives in recent years. The size of the global ecological debt is escalating – both in developed and in developing countries and this will have the effect of undermining development gains toward the other MDGs.

In many countries low income households rely on natural capital for a disproportionately large fraction of their income (e.g. in agriculture, forestry, fisheries). These households have few means to cope with losses of critical ecosystem services, such as drinking water purification or protection from natural hazards. Sustainable management of natural capital is a key element to achieving poverty reduction objectives as reflected in the Millennium Development Goals. (Refer TEEB synthesis report *Mainstreaming the Economics of Nature*).

## 1.2 A narrow focus on minimising environmental risks, rather than tackling policy reform

Previous evaluations of the environmental performance of OECD Governments through their Official Development Assistance programs have found that the “mainstreaming” of environment into the aid program has not addressed the policy reform needed to reverse the decline in ecological health, help address market failures and shift the direction of economic development. These studies have concluded that while high policy priority has been attached to environmental issues, the delivery of positive environmental benefits has been much lower.

One of the reasons for this has been that environmental impact has largely been treated as a risk to be minimised for aid programs, rather than as a development opportunity to be gained by tackling the policy reform needed. The “mainstreaming” of environmental sustainability has in effect resulted in it being “sidelined” as the cornerstone of sustainable development. (Eg: Refer DFID Environmental Evaluation Synthesis Study – “Environment: Mainstreamed or Sidelined?”)

Greater financial investment in traditional aid programs that have a focus on just reducing risks of local environmental impacts, but not tackling the need and opportunities for broader environmental sustainability reform, will not address the underlying policy drivers and market failures that are causing the problem of ecological decline which undermine development gains.

### **1.3 The gradual disengagement of the Australian environment sector from the aid program**

One of the unintended consequences of the streamlining of stakeholder engagement in the aid program over the previous decade, combined with the way that environment issues have been mainstreamed into the aid program, has been the gradual disengagement of most specialist environment organisations from any meaningful involvement in the Australian aid program.

In the 1980s and early 1990s there were a range of small and large environment CSOs accredited with AusAID along with a program of AusAID sponsored environment and development policy forums. In 2011 only one Australian environmental organisation (WWF) remains accredited with AusAID. While there is a consultation process managed by ACFID with AusAID on climate change programming issues there is no process or forum with AusAID that enables Australian environment NGOs, including those which are not AusAID accredited or not members of ACFID, to participate in dialogue on general environmental sustainability policy and strategy.

From time to time, Australian environmental CSOs take the initiative to engage with various government agencies on specific policy issues (such as illegal logging) or in the lead up to major international meetings on the environment and climate change. The nature of this engagement across a variety of government agencies is often ad hoc with little or no feedback from government on how the consultation informed or changed a policy or position. To drive the policy reform needed with partner governments in the aid program and help reverse the downward trend on MDG 7, concerted and coordinated effort is needed between government agencies and civil society organisations. In the same way that the Australian Government has initiated consultative processes in domestic policy areas such as population policy, and the review of the EPBC, there is opportunity for AusAID to lead, with other relevant government agencies, the engagement with Australian environmental CSOs in a cooperative approach to identify the key environmental policy reform issues, and to evaluate strategies to most effectively address these challenges.

## **2. The Opportunity**

### **2.1 Stronger environmental sustainability policy engagement and reform.**

Why is a specific environmental sustainability evaluation needed?

In short, because most of the environmental indicators, including the relevant MDG indicators, show that globally we are still going backwards despite all of the high level commitments made over past decades in OECD aid programs including in Australia. With the rapid scaling up of climate policy and related programs Australia needs a fresh and clear view across the full suite of the options and strategies available to achieve environmental sustainability reform.

Australia is currently engaged in a number of major sustainability policy reform processes including:

- climate change and energy policy to address a number market failures,
- water reform to address mis-management of water resources that have run down the ecological health and sustainability of our rivers and wetland systems;
- population policy, and the impact this is having on our ecological footprint and infrastructure;
- the long term and more systematic protection of our forests and marine resources.

None of these reforms are easy but Australian Governments have realised that putting off difficult policy reforms only makes addressing the problem more expensive in the longer term. For example, the cost of water reform “cure” is now many times higher than would have been the financial and political cost of the “prevention” of over-allocation and over-use of water resources.

## **2.2 Understanding the economics of ecosystems and biodiversity**

The proposition that should drive development practice toward progress on MDG 7 is that: *‘a strong and sustainable economy, including an economy that provides sustainable livelihoods for those living in poverty, depends on maintaining a healthy environment and the ecosystem services which it provides’.*

The Millennium Ecosystem Assessment defined four categories of ecosystem services that contribute to human well-being, each underpinned by biodiversity:

- **Provisioning services** – for example wild foods, crops, fresh water and plant-derived medicines;
- **Regulating services** – for example filtration of pollutants by wetlands, climate regulation through carbon storage and water cycling, pollination and protection from disasters;
- **Cultural services** – for example recreation, spiritual and aesthetic values, education;
- **Supporting services** – for example soil formation, photosynthesis and nutrient cycling.

From an economic point of view, the flows of ecosystem services can be seen as the ‘dividend’ that society receives from natural capital. Maintaining stocks of natural capital allow the sustained provision of future flows of ecosystem services.

## **2.3 Grasping the development opportunities by tackling substantive policy reform**

The Environmental Sustainability Strategy which should drive the aid program, and the broader engagement by the Australian Government with other countries including through the G20 and international finance institutions, would ensure:

- Environmental sustainability is a core part of development planning and country program strategies;
- Australia engages with developing country partners on substantive issues of environment and development based on understanding the vulnerability of people living in poverty to ecosystem degradation and of their dependence on a healthy environment to sustain livelihoods;
- Country program strategies takes account of and seek to address the political realities and obstacles at all levels, to promoting and delivering substantive environmental sustainability policy reform.

## **2.4 Engaging with a broader Australian public in the long term national interest**

The direct reach (collective membership base) and outreach capacity (media, communications and alliances) of environmental CSOs in Australia is significant – running into the hundreds of thousands of people and tens of millions of dollars. A strengthened level of engagement by environmental CSOs in the aid program with a focus on policy reform could help inform a broader range of Australians as to why Australia needs to act strongly as a good global citizen and contribute to global environmental sustainability reform in Australia’s long term national interest.

Climate policy is the most obvious case in point. There are many other opportunities to inform the Australian public of how reforms to protect forests, rivers, marine resources and biodiversity in Australia go hand in hand with similar actions, or require support through the aid program to progress, in the Asia Pacific region and internationally.

### **3. How the Opportunities can be Implemented**

#### **3.1 Review – what can we all learn?**

Environmental sustainability reform is a complex and challenging area. There are no easy answers. A thorough and focused review is needed of the overall effectiveness of the environmental strategy and policy engagement by the Australian Government (AusAID and other Australian Government agencies) with partner governments toward achieving MDG 7 “Achieving Environmental Sustainability” and particularly to increase the effectiveness of Australia in promoting and integrating principles of sustainable development into the policies and program delivery of partner countries.

A well designed review and engagement process could inform and have benefits for all participants and for all Australian funded aid and development programs whether managed by government agencies or CSOs.

#### **3.2 Strategy – how can we reverse the decline and improve effectiveness?**

The evaluation would have the primary purpose of informing the development of a new Environmental Sustainability Strategy, with a focus on policy reform, to guide how the Australian Government (AusAID and other agencies) most effectively contributes to achieving MDG 7 “Ensure environmental sustainability” and to reversing the decline in the health of ecosystems and the loss of biodiversity. The new strategy would set out clear policy reform objectives for climate change, energy, forests, water resources, marine resources, and the overall health of a country’s ecosystems and biodiversity - which make up its life support systems.

#### **3.3. Incorporating the Economics of Ecosystems and Biodiversity (TEEB)**

The Economics of Ecosystems and Biodiversity (TEEB) is one tool to more effectively engage development agencies and environmental agencies in policy analysis and reform to advance the MDG goal of “ensure environmental sustainability”. TEEB is a major international initiative, supported by a number of OECD DAC agencies to highlight the growing costs of biodiversity loss and ecosystem degradation and to draw together expertise from the fields of science, economics and policy to enable practical actions. The study provides reports for different audiences which aim to:

1. Synthesize and present the latest ecological and economic knowledge to structure the evaluation of ecosystem services under different scenarios, and to recommend appropriate valuation methodologies for different contexts. It also aims to examine the global economic costs of biodiversity loss and the costs and benefits of actions to reduce these losses.

2. provide guidance for policy makers at international, regional and local levels in order to foster sustainable development and better conservation of ecosystems and biodiversity. This guidance includes a detailed consideration of subsidies and incentives, environmental liability, national income accounting, cost-benefit analysis, and methods for implementing instruments such as Payments for Ecosystem Services (PES)

The following recommendations from the TEEB synthesis report *Mainstreaming the Economics of Nature* would be the starting point for AusAID to commission and disseminate research and analysis relevant to the Asia Pacific region that informs all participants involved in developing a new Environmental Sustainability Strategy:

- *Decision makers at all levels should take steps to assess and communicate the role of biodiversity and ecosystem services in economic activity and for human well-being. Such assessments should include analysis of how the costs and benefits of ecosystem services are spread across different sections of society, across localities, and over time.*
- *Human dependence on ecosystem services and particularly their role as a lifeline for many poor households needs to be more fully integrated into policy. This applies both to targeting development interventions as well as to evaluating the social impacts of policies that affect the environment. How do policies directly and indirectly influence future availability and distribution of ecosystem services?*
- *Ecosystem conservation and restoration should be regarded as a viable investment option in support of a range of policy goals including food security, urban development, water purification and wastewater treatment, regional development, as well as climate change mitigation and adaptation.*

### **3.3 Developing and delivering the strategy collaboratively**

The way that the environmental sustainability evaluation is conducted, and the subsequent strategy that is developed, should bring together lessons from progress, and failure, in achieving environmental sustainability policy reform from a range of Australian Government agencies, together with the perspectives and experience of Civil Society Organisations, particularly those that focus on policy reform. Many CSOs have extensive international and in country networks to draw on in this process and can offer alternative perspectives to how programs and policies are being implemented in partner countries.

In summary, AusAID can provide leadership for a process, that in coordination with other Australian Government agencies, answers the questions:

- What experience of environmentally sustainable policy reform can we learn from that informs how we better engage in strategies to promote environmental sustainability policy reform in other countries and make progress in MDG 7?
- What lessons can we learn from successes, and failures, in policy reform in bilateral programs with other countries and from multi-lateral efforts that informs an Environmental Sustainability Strategy to guide the future engagement of the Australian Government and CSOs, including the aid program?

- How can Australian Government agencies and CSOs work together more effectively to overcome the challenging social and political obstacles to achieve significant environmental sustainability reform, understanding the roles and constraints of each?

### **3.4 How ACF could engage more effectively with a fit for purpose mechanism**

Australia needs to lead by example and more needs to be done to embed sustainability reform into the decision making of the Australian Government at home. This is the primary focus of ACF. The work of ACF includes research and analysis of examples of good practice and policy reform from around the world that could be applied or adapted to the challenges we face in Australia.

ACF also has a strong commitment to playing our role in addressing global environmental issues and is engaged in a number of international collaborations including on forest governance, and on climate action. ACF believes that to maintain a healthy global environment, and the economy it supports, requires Australia to be a good global citizen by, amongst other things, contributing our fair share to ODA and to climate finance for developing countries.

Building on our experience of policy reform within Australia (including the commissioning of a range of independent reports to provide the evidence base for reform), along with the experience gained in international collaborations, ACF could contribute more effectively to aid policy and strategy with a focus on environmental sustainability policy reform. This needs a fit for purpose mechanism designed for engaging with Australian environmental CSOs which has a clear purpose and expected outcomes – starting with the evaluation and new strategy recommended above.

The development in 2010 of a formal Australian Environment Network (supported by the Department of Sustainability, Environment, Water, Population and Communities as a portal for consultation processes of the environment movement with a range of government agencies), as well as the opportunities for some Australian environmental CSOs to engage through ACFID, provide a starting point for advancing a better process of engagement with environment CSOs in the aid program.

ACF also believes that such a fit-for-purpose mechanism for engagement of Australian environmental CSOs should also identify ways that the aid program can invest in the capacity of environmental Civil Society Organisations, and their international networks, to advance environmental sustainability policy reform in cooperation with the Australian aid program. This includes investing in the capacity of CSOs that focus on good governance, transparency, and monitoring the delivery by partner governments of policy and programs relating to environmental sustainability, such as climate change and forest governance integrity.

Achieving substantive global environmental sustainability reform is urgently needed, but not easy. ACF believes there are many untapped opportunities for the Australian Government and Australian environmental CSOs to work together more effectively, and help overcome the challenging social and political obstacles to environmental sustainability reform.