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Donor Agencies and the Environment: CIDA's Environmental Policy

by

Mark Gawn, B.A.

December, 1995 by Mark Gawn

A thesis submitted to the Faculty of Graduate Studies and Research in partial fulfillment of the requirements for the degree of Master of Arts in International Affairs.

The Norman Paterson School of International Affairs Carleton University Ottawa, Ontario Canada
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Brian Tomlin, Director
The Norman Paterson School of International Affairs

R. Lavergne
Supervisor

Carleton University
III

ABSTRACT

The purpose of this thesis is to determine if environmental concerns can be compatible with aid agency activities. The theoretical synthesis between the seemingly contradictory objectives of concern for the environment and development was achieved at the Stockholm Conference. Two approaches to realizing this synthesis are presented: the ecodevelopment paradigm which rejects traditional development policies, and a pragmatic approach based on reformed economics. A general overview of donor agency policy and a detailed analysis of the experiences of the World Bank, USAID, and CIDA demonstrates that donor agencies have shown increasing regard for the environment. Serious shortcomings nonetheless remain. Concern for the environment in CIDA's forestry program is discussed and found to be increasing, though it remains limited. In conclusion, environmental concerns and donor agency activities are compatible in theory, but have not yet been fully reconciled in practice.
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List of Frequently used Acronyms

CIDA Canadian International Development Agency
CIDIE Committee of International Development Agencies on the Environment
CBA Cost Benefit Analysis
EIA Environmental Impact Assessment
FEARO Federal Environmental Assessment Review Office (Canada)
EARP Environmental Assessment Review Process (Canada)
IBRD International Bank for Reconstruction and Development (World Bank)
IIED International Institute for the Environment and Development (NGO, Washington and London)
IUCN International Union for the Conservation of Nature and Natural Resources (NGO, Switzerland)
NGO Nongovernmental Organization
ODA Official Development Assistance
OECD Organization for Economic Cooperation and Development
UNEP United Nations Environmental Program
USAID United States Agency for International Development
WCS World Conservation Strategy (IUCN, UNEP, WWF)
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CHAPTER I

THE ENVIRONMENT AND DEVELOPMENT: ANTITHESIS AND SYNTHESIS

Introduction

In 1972 growing concern over the state of the world's environment cumulated in the convening of the United Nations Conference on the Human Environment at Stockholm, Sweden. Much of the debate at Stockholm centered on the perceived conflict of interest between economic development and environmental goals. This conflict was primarily put in a North/South context. The purpose of this thesis will be to see if the reconciliation achieved at Stockholm has been translated into practice. More specifically, we will focus on the post-Stockholm behavior of the Western official development assistance (ODA) community.
Antithesis: Environment and Development in Conflict

The first chapter of this thesis will focus on changing conceptions of the relationship between the environment and development. In order to summarize the debate on development and the environment it is useful to recapitulate the respective agendas that the North and the South brought with them to the Stockholm conference. The initial push for the discussion of environmental issues in an international setting came from the developed North. While these states enjoyed the fruits of their industrialization, they were also beginning to understand some of the costs associated with this process. Man, it was realized, could destroy himself in a much more subtle way than through sophisticated weaponry. And while the vague threat of ecological disaster is often pre-empted by other, more "urgent" issues, it had risen to some prominence in the minds of many decision-makers. Indeed, increased environmental awareness had led to a "redefinition of "national security". At least at a theoretical level, environmental degradation was identified as being a threat to national security (Earthscan, 1984; Environment Canada, 1984: 7).

At first the developed countries posed the issue in a narrow fashion. To observers in the South, the North was using Stockholm to, "...make healthier the consequences of the industrial revolution." (Castro, 1972: 401). Thus, the problem was seen as a strictly "Northern" problem, with only limited
application to a few industrial enclaves in the South. Nonetheless, it was argued that the South should be included in the proposed talks, as the North had absolutely no authority to legislate environmental action in the South (Gardner, 1972: 71-72). Furthermore, the South was bound to be affected by any change in the environmental policy of the North and is increasingly home to its own share of polluting industries (Siebert et al., 1980).

The agendas that the North and the South brought into the Stockholm Conference were quite disparate. The developed countries focused on the problems of pollution and resource depletion. In particular, they were interested in laying the foundation for the careful management of the scarce resources that they needed to maintain their consumption patterns (Holdgate et al., 1982: 6). In short, the approach taken was to recognize the market failures of traditional economics. Both the Developed Market Economies and the Developed Centrally Planned Economies treat the environment as a free good, which results in the discharge of harmful byproducts and an inappropriately low cost for goods, which are consequently overconsumed (d’Arge and Kneese, 1972: 261; Pearson and Pryor, 1978: 7).

Proponents of environmental reform in the North accepted that reduced growth was a necessary part of constraining negative environmental impacts. They were prepared to accept this in order to achieve their environmental objectives. These losses
were to be offset by net welfare gains to the community at large. This calculus is acceptable to the South only if the environment is conceived as an essential good rather than as a luxury good. Otherwise, it will not be valued as much in low income countries as in the North (Pearson and Pryor, 1978). Any solution that attempted to resolve environmentally damaging market failures in the North would be perceived in the South as "anti-development", development being seen primarily in terms of economic growth (Sachs, 1977: iii).

For decision-makers in developing countries, environmental concerns paled in comparison to demands for economic growth, alleviation of poverty, and, in some instances, day-to-day survival. The environmental concerns of the North were seen as a threat, as a curb on development (Holdgate, 1982: 6). Furthermore, it was predicted that increased environmental concern in the North would divert some ODA (d'Arde and Kneese, 1972: 275). There was also a concern that environmental legislation would be used as a non-tariff barrier by the North. The imposition of these standards, it was feared, would perpetuate existing inequalities. This perception was confirmed, in the words of a Brazilian diplomat, by "...some ecologists [who] do not hesitate to say that the developing countries can never hope to achieve the consumption patterns of the developed countries." (Castro, 1972: 404) The environment as "anti-development" theme has been frequently voiced in international forums, where those who "after getting rich
through the exploitation of their own natural resources would like to impede others from "doing the same thing" were roundly criticized (Fosberg, 1977: 79). Facing the immense problems of underdevelopment, spokesmen for the South argued for economic growth at any cost. In the words of one observer, "it is unlikely that developing countries would adopt self-imposed constraints on growth." (Choucri, 1972: 35) And they were even less likely to accept the imposition of such constraints on them by the North (Pearson and Pryor, 1979: 10).

In summary, the agenda that the South brought into the Stockholm Conference differed in one important aspect from that of the North. The South argued that the incorporation of environmental costs was a luxury that they could ill afford. Much as they might like to avoid the environmental consequences of industrialization, they could not afford the additional costs that doing so would entail (Lee, 1972: 338). If these costs were to be borne, they would have to be borne by others, namely, the donor community (see Macleod, 1974).

Synthesis: Revolution or Evolution?

Traditionally the environment/development relationship has been put in conflictual terms. Without doubt, environmental values do conflict with short-term economic development needs. Development planners in the developing countries are...

...confronted daily with specific development/environment
choices for which there are no easy answers." (Pearson and Pryor, 1978: 347)

That environmental degradation in the South is caused to a large extent by their very poverty was recognized at the Stockholm conference. The fourth clause of the Declaration of the Human Environment notes:

"In the developing countries most of the environmental problems are caused by underdevelopment. Millions continue to live below the minimum levels required for decent human existence, deprived of adequate food and clothing, shelter and education, health and sanitation. Therefore the developing countries must direct their efforts to development, bearing in mind the priorities and needs to safeguard the environment." (UNEP, 1981)

The synthesis between development and the environment occurs when it is realized that many "development" problems are either caused by, or exacerbated by, environmental mismanagement. Some commentators go so far as to suggest that environmental degradation is the fundamental cause of underdevelopment (Curry-Lindahl, 1979). While this does an injustice to the wider socio-economic issues, it does point out an important dimension of the relationship. The list of development issues caused by, or exacerbated by, environmental mismanagement is extensive including, desertification, deforestation, declining agricultural yields, waste accumulation, unsafe drinking water and genetic depletion. These environmental "dis-economies" are the results of rational micro-level decisions that add up to irrational macro-level conclusions.
The developing countries are facing what can be termed an "ecocrisis". Ecological assessments, at both the global and local levels are increasingly gloomy (Prow et al., 1985; UNEP, 1984a). The adoption of a new development style, of a new way of thinking, is essential to mankind's continued survival. At the most basic level this must include a concern for the environment. "Development without disaster", the slogan of the UNEP, will only be possible when this lesson is absorbed by decision-making structures (Tolba, 1987).

The central thesis of the Stockholm declaration, the synthesis of environmental and developmental objectives, has been supported by several studies and reports. Some of the most important of these are the works of the Club of Rome, the Brandt Commission and the Global 2000 Report to the President. While not binding on nation states, these reports are a clear indication of, and have contributed to, support for the Stockholm synthesis.

Precisely what sort of development/environment synthesis has emerged from Stockholm? There are those who have argued for a revolutionary paradigm shift, the abandonment of traditional models and their replacement by a new, ecologically defined style. This new style has been termed "ecodevelopment" and has been the subject of much elaborate theoretical work (Riddell, 1981; Sacks, 1977; Francis, 1978; Sait-Jungi, 1978). Ecodevelopment is theoretically appealing, but is not easily put into practice.
(Caldwell, 1984b: 299). However, as shall be demonstrated in Chapter Five, social forestry is an exception to this rule. A more important criticism is that it runs the risk of degenerating into rhetorical window-dressing.

Less radical critics argue for the reform of existing models. Environmental values, they note, can be incorporated into existing development styles. This is the assumption underpinning the environmental economics literature. As shall be demonstrated in the next chapter, the environmental economics approach has won the day. What is not clear is whether it is enough of a shift to salvage the world’s environment.

The International Donor Community and the Environment

The impact that the Official Development Assistance community has on the environment of its recipients is now an item on the international environmental agenda. Furthermore, success in meeting donor agency goals is now seen as being dependent upon a sound ecological basis to development;

"If bilateral assistance policies are to contribute fully to sustainable economic development they should seek to ensure that programs and projects take greater account of their impact on the resources and the environment of recipient countries. At issue is now best to achieve [this]." (OECD, 1982: 50).

When basic ecological parameters have not been taken into account, project failure has often been the result. (Farvar and Milton)
1977). As Glanz notes, the record of the donor community is littered with projects that failed because they did not pay sufficient attention to environmental concerns (1989).

To put the actions of the donor community into perspective, it should be noted that there are a host of other transnational actors with significant environmental impacts. These include a long list of international organizations, multinational corporations (MNCs), and nongovernmental organizations (NGOs), including some that focus on environmental issues (ENGOs). Of these, the actors with the greatest environmental impact are the MNCs, including the private international financial institutions (OECD, 1980: 64-67). Of the international organizations, the single most important environmental actor is the United Nations Environmental Program (UNEP), formed as a direct consequence of the Stockholm Conference. The list of NGOs which have become involved with environmental issues through their developmental activities is lengthy, but that of explicitly ENGOs is considerably shorter. Major ENGOs that are active in development issues are the International Institute for the Environment and Development (IIED), the International Union for the Conservation of Nature (IUCN), and the World Wildlife Fund (WWF). A growing, but as of yet relatively unimportant role, is played by domestic ENGOs in the Third World (Van der Wulp, 1985). Despite this multitude of international actors, the role that the donor agencies do and could play is large, both in terms of the actual impact of their programs and in the examples that they set.
This thesis deals with the nature of ODA environmental policy. The determination of what effect this has had on the environment per se will be left for other researchers to determine. However, before proceeding any further it is useful to stress that the mere existence of a "correct" environmental policy framework does not ipso facto mean that environmental values will be fully integrated into the planning process and that satisfactory outcomes will be obtained. There are many points at which the intent of environmental policy may be thwarted. Nonetheless, the environmental outcomes of actions subject to such policies will be assumed to be preferable to those that are not.

The focus of this paper is on the environment as a policy element in the donor community, and, more particularly, in CIDA. The next chapter of this thesis will investigate some of the fundamentals of environmental economics, and, in particular, those that are of utility to development planners. Following this, the reaction of the ODA community to environmental values will be assessed in Chapter Three. In particular we will focus on the application by the donor community of the tools described in Chapter Two.

The environmental policy of the donor agencies will be evaluated both in terms of rhetorical support and operational policy. Operational policy will be evaluated along two distinct lines. Environmental projects, those designed to protect,
augment or create environmental values are only one aspect of environmental policy. There must also be a commitment to environmental quality assurance in all projects—including those designed to meet environmentally defined objectives. The former depends on an acceptance of the need for environmental advocacy by donor agencies, the latter, a redefinition of project assessment.

Chapter Three will concentrate on the activities of the World Bank (IBRD) and the United States Agency for International Development (USAID). Chapter Four will present an in-depth analysis of the environmental policy of the Canadian International Development Agency (CIDA). Finally, Chapter Five will focus on the forestry sector. After investigating the interrelationship of environmental concerns and developmental forestry we will examine the role that the donor community has played and, more specifically, the role that CIDA has played in this sector.

Conclusion

The Stockholm Conference demonstrated that developmental and environmental concerns are not necessarily antithetical, but it left much unresolved. Third World decision-makers and aid bureaucrats are faced with tough decisions between short-term economic development and long-term ecological goals. This is the reality that faces donor agencies in the Third World. To put
into practice a workable solution to this seemingly paradoxical situation is one of the greatest challenges facing these organizations today.
CHAPTER II

APPROACHES TO THE ENVIRONMENT AND DEVELOPMENT: PARADIGM SHIFT OR PRAGMATIC ADJUSTMENT?

Introduction

The clash of development and environmental issues at the Stockholm Conference set the stage for a rethinking of development strategies. Once the environment and development were no longer perceived as being antithetical the question turned to how best to incorporate environmental values into development planning. Should donor agencies adopt the paradigmatic shift represented by eco-development, or should they make the pragmatic adjustments called for in the environmental economics literature?
The radical ecodevelopment paradigm has not been adopted by the international donor community. They have instead opted to tinker with traditional approaches. Nonetheless, ecodevelopment has emerged as a rhetorical theme in donor policy statements and has changed perceptions, both of problems and of solutions. Accordingly, this chapter will introduce some of the basic elements of the ecodevelopment approach. Following this, we will extract those concepts from the environmental economics literature that are of the greatest utility to development planners. From this it will be possible to demonstrate that environmental concerns can be integrated into donor agency operations.

The Ecodevelopment Concept: Paradigm Shift

Traditional development styles have not met with unqualified success when applied in the Third World. With some noteworthy exceptions, these styles have not even replicated the conditions found in the North. From an ecological perspective the North provides a problematic role model at best. Environmentalists note that crucial environmental issues are not being addressed in the rush to modernize the developing countries. The South, in attempting to replicate the conditions which exist in the North, is also suffering many of the costs.
The shortcomings of traditional development styles, on both social and environmental grounds, has led to a move to an alternative style known as ecodevelopment. This new style attempts to avoid the three pitfalls of its predecessors: it rejects simplistic imitation, rethinks development goals and seeks solutions embedded in the socio-ecological and economic environment of each country but most of all it avoids the production/consumption ethos; production must be aimed at "real needs", not effective demand (Redcliff, 1984: 53). To do otherwise is to encourage elite over-consumption and the increasing marginalization of the periphery (Daugherty et al., 1979: 111-112). This is nothing less than a rejection of market-based consumer sovereignty, the cornerstone of environmental economics. The market, it is argued, does not reflect "real needs", only effective demand. And effective demand is a function of income and preference, not "need". The question that the rejection of the marketplace raises—and one that is not always answered, or even asked—is how to replace it?

In the absence of the marketplace who is to decide what is and is not a "real need"?
Typical of most definitions of the ecodevelopment concept was that which emerged from a series of workshops on the environment and development sponsored by CIDA and Environment Canada (Francis, 1978). Three clear themes emerged from these workshops. First, an emphasis on meeting "real needs"—not demands. Secondly, a commitment to self-reliance and self-management. And, thirdly, a commitment to sustainability, not just over the lifetime of any particular project but for all time. This trilogy of meeting "real needs" through self-reliant strategies in solidarity with future generations is the hallmark of the ecodevelopment approach.

Ecodevelopment can be interpreted as an ecological manifesto, calling for a paradigm shift in thinking, rejecting traditional models and replacing them with ecologically defined ones. This is the sense in which the concept will be used here.

Environmental Economics: Pragmatic Adjustment

The ecological manifesto that the ecodevelopment paradigm represents has not captured the imagination of the donor community. While some of its concepts have gained support, the donor agencies have for the most part elected to tinker with
their traditional structures, avoiding a paradigm shift. Accordingly, they are investigating the offerings of the environmental economists, in the belief that this will suffice to produce environmentally sound projects and programs.

A basic problem that the environmental economics literature addresses is the lack of effective communication between environmentalists and development planners. Environmental values, Hufschmidt and Dixon note, "...are not presented by environmentalists in economic terms that are familiar and persuasive to the decision-maker." (1983: 59) This communications failure has two root causes. At a fundamental level, utopian environmentalists argue that environmental values are necessarily extra-economic. Accordingly, what is needed is an emancipation from economics, and its replacement by some variant of the ecodevelopment concept (Redclift, 1984). At a more practical level, while environmental values can be incorporated into traditional economics, the process is incomplete and imperfect, and will likely remain so for some time to come (Westman, 1977: 167). Notwithstanding this, some ground rules have been established, and imperfect as they are, they do provide a starting point.

There are two approaches to incorporating environmental values INTO development planning. Environmental Impact Assessment (EIA) involves both an assessment of the ecological impacts of projects and an assessment of the implications of
these impacts. The latter include not only the effects of the project on widely defined ecological variables, but also its very ecological feasibility. This test of "ecological feasibility" should go hand in hand with more conventional tests of economic feasibility, but is itself "extra-economic." Environmental Cost Benefit Analysis (CBA) attempts to treat environmental values as just another variable in the costing calculus. In other words, it attempts to integrate environmental values into the economic decision-making process.

Environmental Impact Assessment.

The EIA literature is extensive, complex, and often highly technical. In addition to incorporating the environmental cost benefit analysis literature discussed below, it is also concerned with including "non-economic" variables. A fundamental issue addressed by the EIA literature is "scoping," the selection of environmental impacts which should be included in the decision-making process.

The most important environmental impacts are those that affect the factors of production. These include the stock of natural resources, physical capital, labour and directly consumed environmental goods such as scenery. Changes in these may determine the long-term viability of a project or strategy. The second set of impacts are those on the environment
per se, that is, impacts on the environmental media: air, water and land. Impacts vary according to their reversibility. Some changes cannot be reversed once they are in motion. The most final of these is extinction, the loss of an entire gene type (Myers, 1976).

To fully investigate the possible implications of any but the most insignificant project requires the mobilization of a truly interdisciplinary team of ecologists, biologists, geologists, sociologists and so on. This is obviously not practical, and a number of less inclusive strategies have emerged.

Johnson and Blake (1980: 26-36) provide a useful summary of the techniques that are of the greatest utility to donors. At a macro-level, there are sector and program papers which look at the overall environmental performance of recipients and suggest future policy directions. At the micro or project level, techniques range from simple checklists, which point out issues to be considered, to complex policy manuals. In essence, these establish criteria which enable development planners to evaluate the environmental aspects of their projects. Ideally, the EIA technique selected should allow development planners to (1) know what to look for, (2) make an informed decision on the need for comprehensive evaluation, (3) find appropriate expertise to undertake a thorough evaluation, and (4) incorporate the findings of the evaluation into an environmentally sound project.
or program (Horberry, 1983: 4). Not all projects will have a significant environmental impact. For this reason there is a need for a preliminary screening of development projects before a comprehensive review is undertaken.

Many EIA methodologies have been developed. Perhaps the most useful is provided by Munn, who identifies seven essential elements of a complete EIA (1982: 63; see also, 1975). First of all there must be a description of the project and its objectives. Secondly, alternative means of achieving these objectives should be listed. Next, baseline environmental data must be collected, or if it exists, tapped. This should be followed by an educated guess as to the significance of the environmental modification that the project will involve. Additionally, future project scenarios can be drawn up, indicating how the proposed project will affect future options, including the possibility of reclamation. Only after all these steps have been taken can a meaningful recommendation be made, be it to cancel the project, modify it, or proceed without modifications.

A common theme in the environmental economics literature is the need for the EIA to be introduced at an early stage in the planning process. Late assessments are apt to find project parameters firmly set. Any substantial revision may meet with considerable resistance. In practice, EIAs are generally reactive, interacting with other project values in an adversarial
fashion. Holling argues that this conflictual relationship is not necessary. If environmental values are given equal weight with economic and social values from the very beginning "reactive environmental assessment" can be replaced by "adaptive environmental management" (1979). However, awarding an equal weight to environmental values would necessitate a shift in priorities of both donors and recipient states.

There is also a need for ongoing assessment during the implementation of a project or program. Johnson and Blake, in their 1980 study, noted that donor agency staff agreed that most environmental problems were the result of poor implementation, not planning. There are many problems in conducting an ongoing assessments of development projects, not the least of which is the bias within donors towards disbursing funds, not evaluating results. At the same time there is the question of sovereignty, the line separating friendly advice from "inappropriate interference" is not clearly drawn.

The environmental evaluation of ongoing aid projects need not be a complicated, expensive process. One British aid official interviewed by Johnson and Blake offered the observation that "...a few simple, inexpensive, and timely measurements can provide valuable ecological indicators." (1980: 39) These need not be taken by highly paid professionals from the donor countries. Local participants can be involved in the monitoring process. This monitoring could be as simple as measuring the PH
balance (acidity) of water, or observing the reproductive success of animals at the top of food chains. For example, increased birth defects in the populations of fish eating birds can be a good clue to the presence of toxic chemicals in the food chain.

To undertake an Environmental Impact Assessment before or during the implementation of a project would seem to be sensible. The consequences of not properly accounting for environmental impacts in development projects, which can include project failure, have been extensively documented (Farvar and Milton, 1972). And yet, as Munn notes, EIA techniques are not yet widely applied, especially in the Third World (1982: 66).

There are a number of reasons why EIA is not more widely used, the most important being the failure to perceive environmental values. There are, however, more mundane reasons. At a very basic level, a full EIA is perceived as being an expensive undertaking. For the donors this is a misperception. USAID, which has the best record on environmental matters, spends less than one percent of its annual budget on environmental assessment (0.38% in 1976, Pearson and Pryor, 1979: 240). Nonetheless, even one percent of USAID's budget is a considerable amount of money. Less well financed donors and low-income states might well balk at spending even such a small percentage of their budgets for environmental assessment. An associated argument is that the EIA process will add to the length of the project cycle, increasing the time it takes to deliver a project. Unless the
argument for EIA is made in terms of its effects on the economic rate of return, environmental assessment will not make much headway with the donor community. That a concern for the environment makes good economic sense is a theme that has emerged in the literature— including donor agency policy papers. The World Bank stresses this point in its most recent environmental policy paper. In its opinion the costs of disregarding environmental impacts are greater than those of accounting for them (IFRD, 1979).

More particular to the QDA agencies is the difficulty of including environmental concerns, such as EIA, into their dialogue with recipients. Without agreement on the need for such measures the imposition of EIA procedures on aid projects will raise questions of national sovereignty and cause difficulties in the often complicated negotiation process.

For any sort of assessment to be of utility to decision-makers it has to be couched in terms understandable to them. Environmental Impact Assessments can run the risk of being too lengthy and overly theoretical, including too many variables couched in terms unfamiliar to decision-makers (Johnson and Blake, 1980: 30). Additionally, these development planners might wonder at the validity of the findings of EIA. For not only must a complete EIA predict future ecological conditions, it must also measure their significance, both ecological and socio-economic. All predictions are risky. This risk is increased by the
necessarily long-term perspective employed in EIA (Munn, 1982: 69-72). The overall validity of the EIA is further eroded by the questionable reliability of some of the indicators that must be used. Munn notes that, particularly in the South, there is a general lack of baseline data available. The picture is made even more complex by the heavily value-laden nature of measures of significance.

Strictly aesthetic values, such as scenery, carry little weight when phrased in unmeasurable terms. This is especially true in low income countries, or for donor agency decision-makers faced with the problems of low income countries. If environmental goals are clearly articulated, such as ambient air quality standards, projects can be assessed as to their physical compliance with such standards (Cooper, 1981: 124). Those failing to comply can be dropped, without regard for "economic" concerns. When environmental goals are not clearly articulated—as is most often the case—the situation is less clear. While a simple ranking of proposed projects against a checklist of environmental impacts might be of some assistance, there is a need for a greater measure of comparability. This is particularly true when environmental goals are being compared to narrowly defined economic goals (Lundgren, 1983: 2). This brings us to the final point, which is that to be of utility to development decision-makers the EIA must consider the relative values of environmental damage and benefits compared to other variables.
Environmental Cost Benefit Analysis

Much of the environmental economics literature recommends using a modified Cost Benefit Analysis to compare environmental values with other values. This is based on the translation of environmental values into economic terms, the underpinning premises being that environmental problems are caused by market failures, and that they can be corrected by a modified economics (Cooper, 1981: 10). The notion of market failures causing environmental disruption has a long history. Hotelling noted, in 1931, that natural resources were being priced too inexpensively for the good of future generations, a theme repeated by many others since then (Myrdal, 1973). To this must be added the extensive literature that has developed around the theme of external costs, noted above. Both resource depletion and cost externalization are the consequence of the disparity between private and social optimality. This can translate into the so-called "tragedy of the commons," in which net private gains translate into a net social loss.

Simply put, CRA is the comparison of the monetized costs and benefits of achieving an agreed upon objective. (Lundgren, 1983: 14). This simplicity is deceptive, for two reasons. First of all there is the question of setting objectives. The setting of objectives is a political decision, but one that is strongly tempered by economics. For example, pollution control levels should be set at the equilibrium point between the marginal cost
of abatement and the marginal benefits obtained from damages avoided (Pearson and Pryor, 1978: 221). The political demand for environmental protection as noted in Chapter One is strongly income elastic. The second problem facing CBA is that it may not be possible to attach precise monetary values to environmental goods. Not all environmental implications of projects are knowable (Aeron-Thomas, 1983: 49). Even if they are, the setting of shadow prices is problematic (Maler, 1984: 2).

Most of the environmental CBA literature assumes that goals can and are set, either in response to political or economic pressures, and that environmental implications are—to an extent—knowable. Accordingly, it turns to the second question, that of setting appropriate prices. The basis of CBA is the principle of consumer sovereignty, the assumption being that the consumer is free to alter consumption in response to price fluctuations (Maler, 1984). In a free market economy prices are established by the forces of supply and demand. In non-market economies and for costs that are not expressed in the market this measure is not available. Thus it is necessary to turn to its "revealed" value (Aeron-Thomas, 1983: 49). Using indirect measures of prices will allow environmental values to be compared with traditionally monetized values.

Maler (1984: 11) outlines several means of "revealing" the prices of environmental goods. In some cases environmental change will have a direct impact on the production of marketed
goods; price changes in these goods can serve as a measure of environmental costs. Similarly, environmental changes will be capitalized in some market values, for example labour costs may go up and land rents down in heavily polluted areas (ibid.: 12). To these measures Lundgren adds the value of production lost due to environmental degradation (1993: 18). The World Bank (IDRD, 1979: 13) stresses as well the rehabilitation costs of damaged ecosystems.

A final source of revealed value is “willingness to pay”. This can be defined as the willingness to pay on the part of individuals to obtain an improvement, or avoid a cost. Surveys of consumers can be used to reveal “willingness to pay”, but Maler cautions that environmental values will be understated if respondents feel bound to their responses (1984: 17). A further complication is that “willingness to pay” is to an extent dependent on knowledge. It is, in a sense, “knowledge elastic”; willingness to pay for air pollution abatement depends on its perception as a nuisance or as a health hazard as well as “willingness to pay” (Aeron-Thomas, 1983: 49).

The high income elasticity of environmental costs has not only international but also intertemporal significance. If the assumption is made that real incomes are on the increase future consumption of environmental goods will be more highly valued than at present (Cooper, 1981: 98). However, as scarcity increases, so will the relative values of future environmental
goods (Fisher et al., 1972: 610). This observation leads to a dilemma. Should today's relatively impoverished generation sacrifice consumption for the sake of possibly more affluent future generations? Is such a net transfer of resources justifiable (Baumol, 1969: 210)?

For most economists, as well as for development decision-makers, the answer to this question is negative. The relative value of future consumption of environmental amenity goods is either assumed to be the same as at present, or is relatively undervalued. A constant relative value reflects the very sensible a priori notion that, as it is very difficult to predict future consumption patterns, the safest thing to do is to assume that they will be similar to those of today (Lundgren, 1983: 23). On the other hand, a declining relative value is based on the theory that the marginal utility of income falls as income rises. Therefore, consumers will forego future consumption in favor of present consumption (Cooper, 1981: 95).

Future consumption is operationalized in development planning by the use of discount rates. The role that discount rates play in development planning is critical. The rate employed can make the difference between accepting and rejecting a project (Baumol, 1969: 202). Discount rates are usually set somewhat lower than the market rate for money, the interest rate (Maler, 1984: 15; Cooper, 1981: 99). Currently employed rates discount future consumption, but are called for by a number of valid
economic reasons. These include the riskiness of long-term investments and the opportunity costs of capital that is tied up in long-term investments.

Discount rates also reflect the desire for present over future consumption (Pearson and Pryor, 1979: 228). High discount rates favour present consumption. Under lower rates future consumption is afforded more weight. If, for example, high discount rates prevail, it will make more sense to cut down a forest now than to save it for future consumers. However they may chose to consume it. Discount rates apply equally to future costs and benefits; under high rates, long-term externalities, such as the costs of acid rain, will tend to be discounted.

Environmentalist critics assume that current discount rates underestimate long-term environmental costs and benefits. It has been noted that:

"...at normal discount rates, environmental damage at some 30 or 100-years from now would have to be of catastrophic proportions to have much effect on present values." (Cooper, 1981: 98)

The counter-point to this is that if the long-term costs have been properly valued (a strong caveat), there is, in the same author's words; "...no logical case for discounting them at a different rate than that considered appropriate to other costs and benefits..." (1981: 107)

Further, complicating the valuation of future environmental
costs in CBA is the uncertainty of environmental impacts. This is compounded by the often synergistic relationships involved. A change in one variable can multiply exponentially down a chain resulting in what is essentially an unpredictable outcome. Indeed, Cooper (1991: 107) suggests that these costs are systematically underestimated. Barring revolutionary advances in ecological modeling, there may be no "fully satisfactory way of dealing with this" (Aaron-Thomas, 1978: 52). However, in light of the uncertainty of future ecological conditions and their significance for future generations, it is sensible to award a high value to those courses of action that preserve future options (Pearson and Pryor, 1978: 232). Such an "option value" is made all the more necessary in the face of irreversible alterations to the environment, a case in point being loss of genetic diversity.

In summary, the application of CBA to environmental matters in general, and to those in the Third World in particular, is problematic. Inadequate baseline data, uncertainty, problems of valuation and the setting of appropriate discount rates are all compounded by the difficulties of creating a clearly articulated environmental policy. More fundamentally, environmental CBA depends on a re-ordering of priorities.
Conclusion

Where does this leave the donor agencies? Can the pragmatic adjustments suggested by the environmental economics literature be incorporated into their operating strategies? How are we to assess the environmental behavior of these organizations? The answer to the first question is a qualified yes. The elaboration of traditional CBA, discussed above, allows the inclusion of at least some environmental variables into the costing calculus of the donor agencies. Nonetheless, many environmental values will continue to defy economics. The World Bank (IABD, 1979: 24) suggests employing a combination of the two tools discussed above, including a qualitative EIA as a supplement to a modified CBA.

The underlying theme of the environmental economics literature is summarized in the title of Holling's work: "Adaptive Environmental Assessment" (1978). The consensus is that environmental variables should be integrated into the planning process at the earliest possible stage. Instead of being seen as a reactive add-on, environmental concerns must be seen as being integral to the very success of development.

The role that can be fulfilled by the donor organizations in this transcends that of financing the additional costs envisioned by the Stockholm Conference. It is one of one of advocacy. Horberry puts it this way, "ultimately the prime objective is to
improve the capacity of developing countries to plan and control development so that it is environmentally sound and sustainable.” (1983: 2) To achieve this, three recommendations can be made (ibid.: 5): donors should improve the environmental quality of their own actions, they should support projects and programs specifically aimed at achieving environmental ends, and, given that the most significant actors are nation states, they should assist recipient states in building measures into their own development process in order to prevent environmental abuse.

Once the commitment has been made to environmentally defined goals, the performance of the donor organizations can be assessed in two ways. The first approach is to investigate the actual impact that the donor organizations have had on the environments of their recipients. This could be in both a narrow sense (impacts of specific donor supported projects), or in a wider ecodevelopment sense: have the donor agencies helped their recipients to fulfil basic needs through self-reliant strategies in harmony with their environment? This approach, while of great interest, will not be the one pursued here.

This thesis focuses on the position that the environment has come to play in the operational policy structure of the donors. What concerns us here is, as Bradbury puts it, “how the question is asked” (1974: 14). The remainder of this paper will focus on pragmatic adjustments being made by donor agencies in
Order to better incorporate environmental values into their activities.
CHAPTER III

RHETORICAL SUPPORT AND POLICY REFORM

Introduction

How has the donor community responded to the environmental challenge? This chapter will answer this question by providing an overview of the response of the donor agencies to the changing perception of the relationship between the environment and development. Firstly, this chapter will assess the newly defined environmental role of the donor community. The incorporation of environmental values into donor agency operations has met with some common constraints. After a discussion of these constraints, the policies and experiences of two of the largest and most environmentally active aid agencies, the World Bank and USAID, will be reviewed. In conclusion, a brief summary of the lessons to be learnt from the experiences of the donors will be presented.

The environmental policy and behavior of the international donor community has been the focus of a small number of studies.
Three of the most recent and most frequently cited of these studies should be highlighted here as they will be referenced throughout this chapter. First of all, in the late 1970s the International Institute for the Environment and Development (IIED) undertook a study of the environmental policies of the multilateral development banks. The results of this study were published in a book titled, *Banking on the Biosphere* (Stein and Johnson, 1979). A second IIED study focused on six of the bilateral agencies: those in the USA, United Kingdom, West Germany, Sweden, the Netherlands and Canada (Johnson and Blake, 1980). Most recently, the Joint Economic Service (a cooperative venture of the IIED, the International Union for the Conservation of Nature and the Conservation for Development Center) conducted an analysis of the environmental guidelines of the entire Western Donor community (Horberry, 1983).

**A New Direction for the Donor Community?**

The basic needs approach, which became the conceptual cornerstone of most of the donor community in the 1970s, can be associated with environmental values. Bradbury notes that an increased emphasis on the quality of aid by the donor community was paralleled by a movement in the North towards the inclusion of environmental values in domestic planning (1974: 14). The
linkage between the two at a conceptual level was established in the early 1970s as donors became increasingly aware of the desirability of taking environmental factors into account.

When the shift had been made from a focus on urban industrialization to social development, further refined to meeting basic needs, a new concept of sustainability rose to the fore. Sustainability refers not only to the long-term political and economic viability of a given project or program, but also to its long-term ecological viability. This is nothing less than the affirmation of the call for “solidarity with future generations” made by Sacks (1977: 48).

In the early 1970s, when the development/environment relationship was still in most analysis viewed as being antagonistic, it was argued that the "additional" costs of environmental protection should be borne by the North (Macleod, 1974). As well as picking up the expected additional tab, donors were expected to actively promote environmental concerns. The problem with this is that "promotion" can easily overstep the bounds of advice and start impinging on sovereignty, an issue that will be addressed below.

Support for the environment as a policy element in the donor community has been by no means automatic. Johnson notes that the donor agencies were initially "...skeptical, or openly hostile to the idea that environmental concerns belonged to their sphere of interest." (1980: 236) However, all agencies had some level of
commitment to the careful husbandry of the natural resources of their clients (Horberry, 1983: 13). Furthermore, the Stockholm Conference encouraged donor states to ensure that their aid did not damage the environments of recipients. In the three point "Framework for Environmental Action", the aid agencies were given a prominent support role, providing educational, technical, organizational and financial assistance to the Third World (UNCHE, 1971: 27).

The fact that none of the donor agencies have adopted eco-development as their policy does not mean that environmental concerns have been ignored. The donor agencies have, for the most part, moved towards incorporating some level of concern for the environment into their mandates. Horberry isolates three common environmental themes that have emerged from the donor community: a feeling that their activities should not cause "avoidable" environmental degradation, a desire to maintain and expand natural resource productivity, and some recognition of the need for environmental advocacy; that there is a need for projects specifically concerned with aiding environmental quality.

Nonetheless, Stein and Johnson were not impressed by the overall environmental commitment or performance of the multilateral donor agencies. The World Bank, and to a lesser extent, the Interamerican Development Bank, were notable exceptions. Since the early 1970s both of these have had high
profiles in environmental matters, with the World Bank preeminent (Bradbury, 1974). The reasons that there is not a more widespread concern among the multilateral donors about environmental issues are complex. Stein and Johnson note that while some multilateral development agency personnel have become converts to the ecodevelopment paradigm, most reject it for any one of several reasons (1980: 5). If it is broadly defined, ecodevelopment invites "definitional confusion", and is of little utility. If, on the other hand, it is narrowly defined, it is seen to reflect an elitist commitment to conservation, a luxury that they and their client states cannot afford. Finally, environmental issues are not seen as being a part of their mandates. In another vein, donor organizations may enthusiastically embrace environmental rhetoric, claiming that all their projects are ipso facto "environmental". Accordingly, there is no need for them to introduce the environment as a separate policy element.

However, by the early 1980s most of the multilateral donors were committed in principle to a concern for environmental values. In 1980, ten of the multilateral donors signed the Declaration of Environmental Policy and Procedures, the purpose of which is to affirm support for the principles of the Stockholm Conference, and to strengthen global and regional development bank environmental activities (Hufshmidt et al., 1993: 23).

The Declaration of Environmental Policy and Procedures led
to the formation of the Committee of International Development Institutions and the Environment (CIDIE) by the multilateral donor community in cooperation with UNEP. The purpose of CIDIE is to facilitate the exchange of environmental information between multilateral aid agencies and to provide a forum for the discussion of environmental issues (CIDIE, 1985). To this end, it holds regular meetings at which member organizations present progress reports on their implementation of the declaration (see, UNEP, 1984). It also undertakes annual studies of environmental issues in different sectors. A questionnaire on the environmental policies and practices of its member organizations conducted in 1985 (CIDIE, 1985b) provides a useful update to the 1979 IIEP study (Stein and Johnson). Despite all this activity, CIDIE has yet to have a significant impact on donor agency behavior; its major role to date has been one of consciousness raising.

The response of the bilateral donor agencies has been similar to that of the multilateral organizations, with one important distinction. Bilateral donor agencies are more responsive to domestic pressures within the donor state. These agencies are used to varying degrees as foreign policy tools, and as tools of domestic economic policy. All of the bilateral donors studied by Johnson and Blake have produced policy statements in the post-Stockholm era stressing the importance of environmental issues to the achievement of their long-term objectives. However, in common with the multilateral agencies, none has attempted a holistic application of the main
ecodevelopment themes. In general, the environment is still considered as an add-on.

Incorporating Environmental Values into Donor Agency Operations:

Common Constraints

There are many constraints inhibiting the incorporation of environmental values into donor agency activities. Most of these are common to all. The most common constraint is at the level of policy commitment. The policy of the donor agencies is a response to pressures from domestic forces in the donor states as well as from the recipient states. Domestic policy directions are the result of competing interests, articulated within the aid agency, and by bureaucratic competition. This process will be similar in both the multilateral and bilateral agencies, with the expectation that the former will be somewhat more distant from narrowly defined domestic goals. In large part aid will be used as a foreign policy tool. The bottom line for the donors is that aid policy must be saleable to the public. Bilateral assistance must be seen to be fulfilling donor state needs, such as export promotion. Only when it becomes politically expedient, as it did in the mid 1970s, will environmental concerns be incorporated into aid policy. Horberry notes that environmental values have received only a low priority compared to other donor agency goals (1983: 2).
Donor agency officials have been reluctant to include environmental costs in their project calculations, even in the face of pressure from above to do so. They claim, with some justification, that recipient states are not interested in environmental issues. The impropriety of interfering in the domestic affairs of recipients is frequently noted by aid officials (Johnson and Blake, 1980: 15). Even if recipients are interested in environmental issues, the point is made that these are "too complex" and not "cost efficient".

Some environmental advocates have gone so far as to call for the conditioning of ODA to the environmental performance of recipients (Bradbury, 1974: 23; Culbertson, 1971). Imposing such conditionality has serious implications. There are many reasons to question the effectiveness of conditioning aid to any sort of performance criteria, the most important being that it generally does not work (Bird, 1981). Bird suggests that clearly directing aid to preferred project types by means of carefully articulated policy statements is acceptable as this would not impose on sovereignty. However, he draws the line at the "too active" solicitation of such projects. This bit of advice is of limited utility as it leaves the issue a bit vague, especially if one notes that projects proposed by recipients often reflect ideas generated in the donor country (Caldwell, 1972: 933). The main issue here is that of recipient state sovereignty, but not all states are offended by the intervention of donors. Edgren (1982: 365) notes some frustration on the part of recipient
decision-makers in the mid 1970s at the lack of donor involvement, with some calling for a higher level of "concerned participation". Nonetheless, recipient states publicly resist any form of conditionality. The sensitivity of recipients to the conditioning of aid by environmental standards is a major constraint to donor agency environmental policy.

A further constraint is the widespread assumption that both environmental projects and the inclusion of environmental values into mainstream projects are economically infeasible. Designing projects that will in all likelihood turn out to be "economic failures" constitutes a definite threat to the perceived occupational security of aid officials (O'Riordan, 1981: 71). The main task of the aid organization bureaucrat is to disburse funds in specified directions, not to dream up innovative development strategies (Caldwell, 1972: 935).

The reluctance to embrace environmental values is reinforced by the tendency of many donors to think in the short-term (Curry-Lindahl, 1979: 134). As aid agencies are strongly conditioned by politics, short-term "electoral horizons" dictate that aid expenditures should have quick, readily visible results. Furthermore, non-political decision-making is usually dominated by narrowly economic concerns which are shorter than ecological horizons. Economic horizons are defined in "five year plans", or at the most in terms of decades; ecological horizons are infinite. At the same time very real needs in recipient states create
demands for short-term answers, often at the expense of long-term solutions (IPRD, 1979: 31). The very poverty of the Third World reinforces the short-term bias of the aid agencies. In addition to these constraints, there are a number of less systemic ones. The strength of the environmental advocate within the aid agencies is weakened by high staff turnover, which in turn leads to a weak institutional memory and a diffusion of responsibility (Johnson and Blake, 1980: 14). The long-term nature of many environmental impacts makes this a particularly debilitating factor. Another constraint is the lack of communication between aid organizations and other government departments. What this means is that pools of potentially useful expertise are not used. Additionally, this lack of communication highlights another major problem, a general lack of competent environmental training for staff (Stein and Johnson, 1977: 5; Hoppen, 1983: 2), a problem made all the more acute by the lack of such training in the general consulting community which does much of the project design and implementation of aid projects (Ehrhardt et al., 1981: 63).

"Tied aid" is also a factor constraining the design of environmental projects and programs. Most environmental projects have high local costs, with low demands for externally produced inputs. For example, the major cost in social forestry projects is local labour. If the bulk of a donor's disbursements are tied to purchases in the donor country, these local costs must be
picked up by recipients. This will limit the number of requests for such projects that the donor agencies receive.

In summary, the most important impediments to an effective environmental policy are a lack of firm policy commitment, the delicate question of national sovereignty and what Stein and Johnson term "practical resistance" (1979: 5). The basic question asked by the aid officials is how to incorporate the tools of environmental decision-making into their operations. All three of the studies of the environmental performance of the donor agencies considered that as a whole, the donors contributed inadequate resources to the environmental aspects of aid (Horberry, 1983; Johnson and Blake, 1980; Stein and Johnson, 1979). The two widely cited exceptions to this are the World Bank and USAID. This chapter will next consider why this is so and how these two organizations have incorporated environmental values into their operations.

World Bank Environmental Policy

The World Bank has been a leader in the incorporation of environmental values into its operations. By 1970 the Bank had an environmental advisor with a broad mandate to undertake ad hoc evaluations of the environmental effects of projects and to identify possible problems and their solutions.

The leadership role that the World Bank has played has had
an important catalytic role. As a leading international donor agency, the Bank's leadership in environmental policy has been instrumental in securing the cooperation of other donors (Environmentalist, 1982: 196). The definition of the environment adopted by the Bank is similar to that in the ecodevelopment literature. The Bank defines environmentally sound development as the "rational and sustainable development and management of natural resources for the economic improvement and well-being of all peoples, including future generations" (IBRD, 1984a: 3). The basic environmental policy of the Bank is to incorporate environmental concerns into decision-making, undertake environmentally defined projects, and to promote environmental concerns in the wider donor community (Horberry, 1983: 65).

To support this environmental policy the Bank has published numerous environmental guidelines, checklists and handbooks (Horberry, environmental projects and the incorporation 1983: 64-66) and expanded the Environmental Advisors office to the Office of Environmental and Scientific Affairs, which now has a staff of five (CIDIE, 1985). The role of this office is broadly defined, in order to ensure that environmental aspects are "adequately addressed" it oversees environmental aspects of projects, promotes environmental projects, dispenses technical information and guidelines, provides in-house environmental training and liaises with other organizations, including the environmental NGO community. Additionally, it promotes the inclusion of embryonic recipient state environmental ministries.
into the development planning process (Lee, n.d.: 345).

To incorporate the environment into decision-making, the Bank makes use of both Environmental Impact Assessment (EIA) and a modified Cost Benefit Approach (CBA). All projects are pre-screened by regional staff for the evaluation of expected environmental impacts. If problems are identified, projects are forwarded to OESA. Actual project implementation is up to regional staff. The emphasis in Bank environmental quality policy is to incorporate EIA at the earliest stage, in order to avoid costly eleventh hour interventions (IBRD, 1984b: 6-7). Another theme is to encourage recipients to undertake their own EIA. However, the Bank will provide financial assistance for the lowest income countries to do this (IBRD, 1984c: 2).

For a development finance institution which by definition measures success in terms of economic rates of return, the incorporation of environmental values is problematic (CIDA, 1984c: 13). To cope with this, the Bank has adopted an expanded CBA approach allowing for the long-term time frame and greater uncertainty of environmental issues (IBRD, 1984b: 3). Bank policy is that total project costs must include the "social costs", including environmental costs. If these cannot be quantified they must be added to the strictly dollars and cents costing. The Bank has concluded that the costs associated with a sound environmental policy can be carried by most recipient states and that the economic benefits exceed the nominal cost.
The Bank allows that "willingness to pay" on the part of low-income states may exceed their ability to pay, implying that these costs should be borne by the donor community (IBRD, 1979: 23).

The World Bank has been involved in a number of environmental projects. Such projects account for two percent of Bank expenditures (CIDA, 1984c: 13). In some sectors, especially in forestry, the shift towards environmental projects has been pronounced (IBRD, 1978). Included in the World Bank's definition of environmental projects are: reforestation, forest and soil conservation, rangeland and watershed management, water resource management, slum upgrading, pollution control and renewable resource development (CIDIE, 1985b). The Bank is currently undertaking some forty wild land conservation projects in twenty-four countries (IBRD, 1984: 24-25).

Concern for the environment at the project level has been paralleled at the sectoral and country programming level. The sectoral policy papers, that have been developed since the mid 1970s frequently make extensive reference to environmental factors. Horberry (1983: 41) notes that the forestry sector paper (IBRD, 1978):

"...embraces sound guidance on the environmental value of forest resources and the need for forestry development to respond to particular environmental problems and to enhance the environmental services that forests provide..."
The high level of policy and institutional support for environmental concerns would seem to bode well for the environment at the hands of the World Bank. In the 1970s, close to forty percent of Bank projects were flagged by the pre-screening process for more intensive environmental evaluation. Eight percent received detailed study resulting in the implementation of environmental safeguard measures (IBRD, 1979: 9-10). The extensive use of pre-screening allows the Bank to practice a great deal of economy, accordingly, environmental assessments account for less than one percent of its budget (Pearson and Pryor, 1978: 242). The caveat to this is that the Bank encourages its recipients to undertake, at their own expense, their own EIA. Consequently, these costs would not appear in the Bank's budget.

While the World Bank is frequently hailed as being the most environmentally sound actor in the international donor community, it is not without critics. Some environmentalists charge that the Bank is overly flexible in the setting of environmental standards. The Bank adopts standards that are, "...appropriate both to the current state of development and the requirements of the project." (IBRD, 1979: 23) While this lends its policy a great deal of flexibility, it also reduces its environmental protection value. Standards that are "appropriate" to a certain level of development may not be appropriate for long-term environmental values.
A more fundamental criticism is that the Bank plays at public relations. A large number of its projects slip by with only a rudimentary EIA (Hayter and Watson, 1985: 274) and the EIAs that are conducted are not necessarily "...serious in-depth studies in which alternatives are examined and costed." (Pearson and Pryor, 1979: 247) In practice, the Office of Environmental and Scientific Affairs is understaffed, its personnel inadequately informed of Bank activities and included only at later project stages, after the project has been "pre-screened" by project staff. By then it is often too late to have a major impact on decision-making. (Hayter and Watson, 1985: 274). The same authors have characterized the role of the OESA as being "tokenism", and the environmental policy of the Bank as being "...good for the image, but mouse-sized in impact."

Environmental policy of USAID

Of the bilateral donors, the foremost support for environmental values comes from USAID. This support is partially due to the fact that it was taken to court in the mid 1970s by domestic environmental advocates and forced to comply with national environmental legislation. The Foreign Assistance Act of the United States now requires USAID to ensure the environmental soundness of its activities. However, it should be noted that USAID had moved on environmental issues prior to this, leading the way in the implementation of organizational reforms (Bradbury, 1974: 15-14). This activity was due to a number of
factors, not the least of which is the sensitivity of USAID to the whims of Congress, which, by the early 1970s had developed a strong environmental consciousness (Johnson and Blake, 1980: 3).

The environmental policy of USAID is aimed at ensuring the long-term environmental viability of development. While the onus is placed on the recipient state to develop environmental policy, USAID is prepared to assist in the process (USAID, 1983b). In common with the rest of the donor community, USAID does not want to appear to be imposing its standards on recipients. Accordingly, USAID places a key emphasis on the clear articulation of its policy to recipients in order to solicit aid requests that are compatible with its environmental policy (USAID, 1985). The environmental and natural resources strategy of USAID attempts to encourage environmentally sustainable development by ensuring the environmental soundness of its programs, increasing the environmental management capacity of recipients and by the active promotion of environmentally sound development within the wider donor community.

Enforced adherence to US. domestic environmental law has had the bonus of providing a ready made environmental apparatus which could be incorporated into existing planning methods in USAID. This apparatus, in addition to the legislated incentive to use it, facilitated the incorporation of detailed environmental procedures at each stage of the project cycle.

In common with the World Bank, USAID pre-screens projects,
for environmental impact. Many projects are granted automatic exemptions from further review; seventy percent of USAID projects receive no further environmental assessment after the initial screening (Pearson and Pryor, 1979: 240). Responsibility for the initial evaluation is in the hands of project initiators, with overall guidance provided by the Agency Environmental Coordinator in Washington (USAID, 1983a: 3). USAID policy is to incorporate host state nationals whenever possible into the EIA process (USAID, 1985). The cost of conducting EIAs is modest; USAID estimates it to be less than one percent of its total budget (ibid.). Implementation of modifications called for in the EIA has become a precondition for receiving assistance. For some specifically flagged projects this will include on-going monitoring (USAID, 1983a: 4).

As in the World Bank, project level assessments are paralleled by a concern at a larger level. Country development strategy statements are required to incorporate environmental elements, and are reviewed on an annual basis by the Agency Environmental Coordinator (USAID, 1983a: 1). Furthermore, USAID is mandated by Congress to undertake Country Environmental Profiles of all its recipients. These profiles are to include an inventory of the environmental problems and the capacity of the recipient state to deal with them. Several of these have been conducted to date but have proven to be of little utility. They have not been integrated into the planning process of recipients, causing USAID to shift towards linking them with specific aid.
USAID funds specific environmental projects. These cover a broad range of issues such as watershed protection, soil stabilization, social forestry, protecting natural areas, coastal zone management, natural history inventories and basic research (USAID, 1983b: 3). More recently, Congress has mandated USAID to prepare policies for protecting endangered species (USAID, 1985). In total, specifically environmental projects account for an estimated 3.3% of USAID’s budget (CIDA, 1994c: 3).

In addition to environmental quality assurance and the promotion of environmental projects, USAID has taken on an environmental advocacy role in the donor community (USAID, 1983a: 10). This includes the provision of information to other donors and cooperation in training and exchange programs. Furthermore, USAID missions will ensure that in multiple-donor projects, authority and responsibility for environmental affairs is delegated, either to the host state, to one of the donors, or to a joint committee. If necessary, USAID is prepared to take the leadership role.

USAID has a decentralized structure with much autonomy at the field staff level. The environmental policy structure is also decentralized. Most of the responsibility for environmental evaluation lies in the hands of field staff, along with designated mission staff. Policy and oversight are provided by the Agency Environmental Coordinator, assisted by several
technical advisors and by environmental advisors in each regional bureau (CIDA, 1984c: 5). USAID expects its environmental staffing needs to increase and is planning to hire more technical advisors. Additionally, environmental sensitivity has been incorporated into its recruitment procedure (USAID, 1983a: 11-12).

Of the bilateral donors surveyed by Johnson and Blake, USAID also has the best in-house environmental training program (1980: 53). Giving donor organization staff the information needed to make sound environmental judgements is particularly important as in-house assessments are better at effecting changes than externally generated suggestions (ibid.: 57).

In conclusion, USAID meets the basic elements of a sound environmental policy as laid out in Chapter Two. It is the only bilateral donor that has a history of formal environmental quality assurance provisions. Furthermore, it has a relatively extensive program of environmental projects, including both environmental management projects and the creation of environmental management infrastructures. These policies are coordinated and reinforce one another. For example, the directive to incorporate host country nationals into the EIA process supports the creation of host state environmental expertise.

USAID is not planning to expand its environmental role (USAID, 1983a: 2). It is content with the role that it presently
plays, believing it to be "adequate". Furthermore, it expects that the other donors will pick up the slack. It optimistically believes that its environmental management infrastructure assistance will allow its recipients to manage their own environmental affairs.

While the World Bank and USAID share a relatively high policy commitment to the environment, they have adopted different approaches to including environmental values into their activities. Both have developed environmental focal points which are responsible for policy and technical guidance and play a general advisory role. Furthermore, in both agencies the bulk of responsibility for the environment is delegated to project staff. This staff is in charge of undertaking initial assessments and of promoting environmental projects. The difference between the two is that in USAID's case there is a network of environmental advisors and officers throughout the agency. In the World Bank, this expertise and responsibility is concentrated in the Office of Environmental and Scientific Affairs. Potentially, this gives the Bank the ability to tightly control the environmental aspects of its policy. However, it is equally possible that the alienation of the environmental advisors from day to day decision-making will ensure that their actual input is slight as Hayter and Watson claim (1985: 274). The centrifugal tendencies engendered by the decentralized structure adopted by USAID are countered by its adherence to legislated environmental procedures. This legislation ensures that those charged with
environmental responsibilities seek out and follow appropriate advice. The two different environmental policy structures developed by IBRD and USAID demonstrate that environmental concerns can be integrated into diverse organizational structures.

Conclusion

Based on the experiences of the World Bank and USAID it is possible to make a few generalizations concerning the effective implementation of environmental issues into development assistance. First, donor agencies must have a clearly articulated environmental policy. This policy should be widely communicated, both within the agency and amongst recipients. The latter is of critical importance as aid requests come from recipients. Recipients should be made aware that the agency has a commitment to environmental quality and support for environmentally defined projects. In particular, it should focus on the creation and/or improvement of domestic environmental management capacity in recipient states.

The second generalization is that there should be a clear delegation of responsibility for environmental concerns in the agency. Responsibility for initiating EIA should be clearly established, for example, preliminary EIA can be undertaken by project initiators. If more intensive study is called for by the
initial assessment expertise must be available to the agency, either to conduct further assessment or to establish terms of reference for such studies. Ideally the actual EIA should be done by recipient state nationals, assuming that competent personnel are available and that their goals do not conflict with those of the donor agency. Incorporating local professionals will facilitate the growth of domestic expertise and expand its influence in domestic planning.

Agency staff, with clearly delegated environmental responsibilities, in addition to putting into effect environmental quality assurance policy, can play a vital role in raising agency environmental consciousness. This educational role, and the simple fact that they are there to provide advice, should not be belittled. The actual number of people needed to staff the environmental office need not be high as there exists a large private sector consulting community in most donor states. In order to implement an enhanced environmental policy some budgetary reforms are necessary. Allocations must be made available both for the EIA process and for environmental projects.

The lesson to be learnt from the experiences of the donor community is that environmental values are compatible with aid agency operations. The experiences of both the World Bank and USAID demonstrate that environmental impact assessment procedures can be incorporated and are relatively inexpensive. Furthermore,
standard cost benefit analysis can be adjusted to take into account some environmental values. Most importantly, most of the donor community has accepted the need for environmental quality assurance measures and for environmental advocacy, both as ends in themselves and as an integral part of the development process.
CHAPTER IV

CANADIAN DEVELOPMENT ASSISTANCE ENVIRONMENTAL POLICY.

Introduction

The environmental implications of Canadian aid flows have received little attention from academics or from the mass media in Canada. There are some exceptions to this. A 1990 IIEF study included a Canadian component (Ehrhardt et al.) and some NGOs have expressed concern, cumulating in participation in the NGO Task Force on Alternative Approaches to Development (Adams, 1982). At a purely conceptual level one of the most innovative approaches has been that of the CIDA/Environment Canada Joint Project on the Environment and Development (Francis, 1978). However, the impact that this project has had on actual policy is debatable, as the subsequent sections will demonstrate.

The first part of this chapter will focus on Canadian support for environmental issues in international fora.
particularly on those agreements dealing with the environmental aspects of aid. This will be followed by a brief discussion of Canada's domestic environmental policies. From these discussions, I will identify Canada's internationally derived environmental obligations and domestic mechanisms for incorporating environmental concerns into planning. In conclusion, a detailed look at the current status of Canadian ODA environmental policy will be presented.

Canada's Position on the Environment and Development at International Fora

The evolution of Canadian international environmental policy can be traced back to the United Nations Conference on the Human Environment in 1972. At Stockholm, Canada, along with the rest of the developed countries, had its environmental agenda widened to incorporate the specific environmental concerns of the developing countries. Canada's representatives to the conference made it clear that Canada was prepared to "do its part" in financing what were expected to be the large additional costs that a concern for environmental values in the South was seen to involve (Sanger, 1973: 110).

Canadian financial support for the newly created United Nations Environmental Program has been generous, and was matched by contributions to other international environmental organizations (Environment Canada, 1977: Table II). Perhaps as
significant was the selection of Maurice Strong, a former CIDA President, as the first Director General of UNEP, assuring UNEP a higher profile in Canada than it might otherwise have received.

Of the "environmental manifestos" that have followed the Stockholm Declaration, the most significant is the World Conservation Strategy (WCS, 1980). After detailed study, Environment Canada also adopted this strategy (Environment Canada, 1981). While the WCS concentrates on domestic policy issues, it does include a section on international obligations, including the aid policies of the rich countries.

Canada also has been generous in its support to the World Commission on the Environment and Development (WCED, 1984). This includes a contribution of $800,000 by CIDA (CIDA News Release, June 20, 1985). Canada is also involved in the coordination of ODA environmental quality legislation at the multilateral level. In the mid 1980s CIDA and Environment Canada joined an ad hoc committee of the OECD mandated to investigate common approaches to the environmental assessment of aid flows (OECD, 1985). Environmental issues have also been taken up at the economic summits of the major Western industrial countries. At both the London and the Bonn summits explicit mention was made of environmental concerns. The final communiqué of the Bonn Economic Summit (1985, paragraph E) concludes that;
"Economic progress and the preservation of the environment are necessary and mutually supportive goals. Accordingly effective environmental protection is a central element in our national and international policies."

Canadian support for the declarations, communiques and commissions outlined above clearly indicate that a concern for the environment has emerged as an element in Canadian foreign policy. This has important implications for Canadian aid policy, which is obliged to respond.

Canadian Domestic Environmental Policy

The shift in attitudes engendered by the awakening of the Canadian public to environmental issues has led to pressure for policy reform. At a conceptual level, environmental issues have moved from being the concern of only a narrow fringe of society towards being internalized into everyday life. The "ecology fad" of the 1960s and early 1970s may have faded, but it remains an issue on the government agenda and has left its mark on the behavior of major institutions. The shift has not been as smooth or as complete as one might hope. Nevertheless, there is a trend towards increasing concern for the environmental implications of the activities of the human species.

The best evidence of the shifting public perception of environmental issues has been their emergence as issues in recent Canadian elections, in particular in the 1985 election in
Ontario. This trend has forced policy makers to respond. At one level there has been a move towards environmental rhetoric. "Economic Development for Canada in the 1980s," a policy statement released by the federal Liberal government in 1981, is a good example. Among other things this paper promised that there would be "careful management of change," rejecting the "gold rush mentality" of previous development. To replace this the policy paper pushes for "sustainable development," defining it in a way that sounds very much like the ecodevelopment concept outlined in Chapter Two. Rhetorical support for environmentally defined goals has been reflected in some real changes, including the creation of Environment Canada as a separate federal government department.

It is not the purpose of this paper to critically assess the entirety of Canadian environmental policy, only those aspects that are of relevance to Canadian ODA flows. One element of the Canadian policy that is of relevance has been the growing use of EIA procedures at all levels of government. In 1973 the federal government introduced the Environmental Assessment Review Process (EARP). This process is administered by the Federal Environmental Assessment Review Office (FEARO), which is associated with Environment Canada.

The Order in Council which established EARP demands that an initial environmental assessment be undertaken for all projects involving federal monies, properties or lands. It does not apply
to the activities of the private sector unless they involve the federal government. It also does not apply to federal legislation or policy—only actual projects. Nonetheless, when the process was introduced it was expected to have a large impact on the domestic Canadian development process. In practice it has had a significant impact, both in terms of demonstrating to the private sector the feasibility of incorporating environmental values in planning, and in terms of its impact on the Canadian environment in a decade of federally sponsored resource sector "mega-projects". 

The most outstanding feature of EARP is its flexibility. Its fundamental purpose, as is that of any EIA process, is to correct the failures of traditional planning (Lang, 1984: 247). The process is a planning tool by which these failures can be addressed (FEARO, 1984: 3). It is not a tool to "regulate" the activities of government departments. It must, accordingly, be flexible enough to suit the different needs of the departments involved. FEARO sees itself as providing the "main requirements" demanded by EARP, but it is up to each department to adapt these to their own particular needs (ibid., 4). The role that FEARO plays is more that of an advisor than an enforcer.

The environmental assessment review process is decentralized, the vast majority of assessment decisions being made by individual departments. It is up to each department to police its own activities. In theory all projects receive an
initial environmental assessment. Each department is obliged to ask itself what the environmental effects of its projects is likely to be.

If the environmental implications are unclear, or environmental values clash with other values, the project will be referred to FEARO for a more complete review. Such a review is also called for "...if public concern about the proposal is such that a public review is desirable." (Canada Gazette, 1984: section 13). Once FEARO has been approached, the environmental review that follows is rigorous. However, most projects receive environmental approval at the initial assessment stage (FEARO, 1980: 2). While the findings of the Environmental Assessment Panel, which is created to review the project, are not legally binding, its recommendations have always been followed to date. The federal process has been paralleled at the provincial level. All of the provinces had some sort of EIA policy in place by the mid 1970s (Lang, 1979: 240).

Environmental quality policies are only one aspect of Canada's environmental policies. While a large portion of this wider policy is contained within Environment Canada, much more lies in the hands of other departments and the provinces. Canada's environmental policy can be summarized as follows. There is a growing trend among Canadian decision-makers to look favorably upon environmental issues. This changing mood
has been backed up by environmental quality legislation. Despite weaknesses (Beanlands and Duinker, 1984; Lang, 1979) these do provide the Canadian state with tools by which to facilitate environmental decision-making, including the creation of a pool of specialist environmentalist consultants upon which to draw for expertise.

Environmental Issues as a Policy Element at CIDA

In the immediate post-Stockholm years, Canada's potential as a leader in environmental issues seemed assured. Initial support for the newly formed UNEP was generous, and changing bureaucratic structures seemed to bode well for the environment as a policy element. CIDA was no exception to this trend, having for some time been "...increasingly aware of the desirability of taking environmental considerations into account." (Environment Canada, 1977: 65)

At a rhetorical level, Canada has accepted environmental concerns, both for domestic development and for its development assistance program. However, despite high level support for environmental issues in CIDA, the study commissioned by the IIID cited the lack of strong statement of corporate environmental policy as the major constraint to a more effective role for CIDA (Ehrhardt et al., 1981: 87). Obviously rhetorical support for environmental concerns was not being translated into operational policy.
that potentially could be filled by local personnel. Most important of all are the perceived backward and forward linkages of the forestry sector (ibid.; Douglas, 1983: 74). Industrial forestry development was expected to spill-over into other industrial sectors, especially in equipment manufacturing. Forward linkages would include the creation of a skilled workforce and the provision of infrastructure in rural areas. Other foreseen benefits included investment opportunities for domestic capital, development of depressed regions and the transfer of technology, including knowledge (Scott, 1982: 22-74).

Those making the industrial forestry case did not naively assume that all of these benefits would automatically occur. Serious obstacles were foreseen, and action taken to avoid them. A foremost issue concerned the amount of value-adding activities conducted in the South (Sartarius and Henle, 1968: 235). Other issues included the reproduction of the resource base (Bene et al., 1977: 20; Birowo, 1982: 118), lack of management infrastructure (IBRD, 1978: 19), and a lack of knowledge of existing forest stocks (Sartarius and Henle, 1968).

The ecological effects of industrial forestry were also recognized by its proponents. Sartarius and Henle noted that deforestation has been a factor in the downfall of ancient civilizations, and in the impoverishment of some contemporary states. However, "good" forestry was seen as compatible with environmental values, which they list as a "secondary advantage"
assessed for environmental impact, with the findings of these assessments to be integrated into planning. On the other, the guidelines clearly indicate that "environmental" projects are a priority.

The problem with the 1976 guidelines is that they were drawn up and introduced only as a reference point and are thus useful only in suggesting directions for future action. (Horberry, 1983, document No. 7). They have served a consciousness raising role, but they were not definitive. Ehrhardt et al. note that there is;

"No coherent set of directives to tell [staff] how assessments must be incorporated into their work, and no procedure to hold them responsible if they have not done so." (1981: 66)

In other words, there is very little guidance, and no incentive to fulfill the promise contained in the guidelines. This is in common with the findings of a survey of aid agency environmental guidelines which noted that in general there was no systematic application of what guidelines did exist (Horberry, 1983).

Critical analysis of the 1976 guidelines reveals that there is no real sense of priority in them. The only clue is that environmental issues are to be considered within the "particular context of the region or country" (CIDA, 1976: E14). In theory, this instruction could give the environment an equal footing with other issues. In reality it means that the environment becomes a good valued in relation to its socio-economic context. In an
economic sense this means that it is less valued in the poor countries than in the rich. In other words there are different standards for environmental issues, one for Canada and one for its aid recipients. This flexibility of standards, which CIDA shares with the World Bank and other donors, is based as much on the need to respect the sovereignty of recipient states as on economic rationale.

Johnson and Blake noted that "...a widely accepted and integrated perspective on how environmental protection and improvement should be incorporated into CIDA's work has yet to emerge." (1980: 19). In the public policy vacuum following the gradual decay of the 1975 strategy, this is even more true. In 1983, the contradiction existing between top level policy support for environmental issues and the lack of a public policy framework became an issue in CIDA's Policy Branch. This interest was the result of the clarification of the application of EARDP to CIDA, a widening recognition of the ecological roots of crises in developing countries, and the growing agenda of international environmental consultations to which CIDA is a party.

At the same time, environmental aid is being increasingly welcomed and requested by recipients. This is at some odds with standard aid official thinking, which holds that such aid is not a high priority item on most Third World shopping lists (Johnson and Blake, 1980: 64). Generally, those states with well-developed socio-economic infrastructures are the most interested
in environmental projects, if only because domestic pressure for environmental policy is reasonably well articulated. As well, states at their "outer limits", those that can no longer ignore their basic ecological parameters, are highly responsive to such initiatives. This is true of a number of Caribbean states. On the other hand, some of the most peripheral states, those having large-scale ecological problems, simply lack the capacity to effectively absorb environmental management aid and require concomitant human infrastructure development.

Environmental Quality Assurance at CIDA

CIDA's environmental quality policy is based on two foundations. There is an internally generated commitment to improving the environmental quality of its actions which emerged in the 1976 guidelines, and a legal requirement based on EARP. The former is phrased in such a non-specific fashion that it has not had a significant impact on CIDA, other than to ensure that environmental issues are referred to in most feasibility studies. The latter is only now being applied to CIDA, more than a decade after it was first issued.

While it may be accurate to argue that environmental issues can be handled on an ad hoc basis, it does not follow that in every, or even in the majority of cases, environmental concerns will be automatically included if agency officers are not mandated to do so. Ehrhardt et al. (1981: 54) summarize CIDA's
Performance on the environmental quality issue by noting that

"...through the environmental awareness of some CIDA officers...plus the generally strong performance of Canadian consultants, major ecological disasters appear to have so far been avoided."

The implication drawn by these authors is that this is a fortuitous outcome based on individual initiative and luck. This luck cannot be expected to continue.

The fact that up until the present, CIDA has undertaken only one environmental review under EARP reflects a number of factors. First of all, it reflects some confusion within CIDA as to the applicability of domestic environmental legislation in foreign jurisdictions, leading some to question the application of EARP to CIDA. Secondly, interviews conducted by this author with CIDA staff indicate that there is some reluctance within the organization regarding the public information requirements of EARP. On the one hand, free access to information might conflict with recipient state demands for confidentiality as a part of its sovereign authority. On the other hand, public participation, and, indeed, the entire assessment process, is certain to slow the project cycle, a process that is already slow.

Additionally, as CIDA is often only one of a number of aid agencies involved in any particular project or program, there is a question as to the validity of conducting an EIA of only one slice of a larger scheme. CIDA's share of a project may, in and of itself, have little or no environmental impact, whereas the
scheme in its entirety might prove to have significant impacts. FEARO does not oblige CIDA to undertake whole project environmental assessments of projects with multiple donors, something USAID is obliged to do.

The environmental assessment of CIDA projects could take place at several points in the project cycle (Ehrhardt et al., 1981: 56-58). The most logical place to start is at the project identification stage. This view is shared not only by the environmental management literature but also by some CIDA staff (ibid., 1981: 59). Environmental variables could be added to the pre-feasibility calculus, much as projects are pre-screened for environmental impact by the IBRD and USAID. If called for, this could be followed by a more comprehensive assessment, which could take place at the project approval stage. Finally there could be environmental monitoring of the project during its implementation stage and a post-project environmental evaluation. The latter would facilitate the application of "adaptive management" techniques, as called for in the environmental management literature reviewed in Chapter Two. At CIDA work is progressing in the compilation of lists of projects to be automatically excluded from further environmental review and projects that will automatically call for careful review. These lists will be used to assess projects at the pre-feasibility stage, in accordance with EARP provisions.

A major element of CIDA's policy response to environmental
issues has been the clarification of how domestic environmental policy applies to CIDA. Unlike USAID, CIDA has not been taken to court by environmentalists. This is primarily because EARP is not strictly speaking a "law". Nonetheless, as administrative policy, it is theoretically binding on all government departments.

Environmental Projects at CIDA

The strategy adopted by CIDA in the mid 1970s made ample provision for environmentally defined aid projects. This was both an outcome of the Stockholm Conference and a recognition of Canada's experience in natural resources management and potential role in the provision of environmental services (Greene, 1984; CIDA, 1976: E9-10; Johnson and Blake, 1980: 44).

The interest in "environmental aid" was a significant step towards meeting the environmental needs of CIDA's recipients. The question that remains to be answered is to what extent this has prompted a response. The key to this question lies in the subsequent operational definition of "environmental aid". When the environmental guidelines were prepared the definition of environmental aid was narrow and referred mainly to data collection and the creation of environmental management infrastructures. The environmental aspects of natural resources
activities fell under the heading of environmental quality concerns, and were not in themselves considered "environmental projects".

A CIDA information paper issued in 1984, "Canadian Environment and Natural Resources Assistance", provides a list of environmental projects and project components somewhat at odds with that contained in the guidelines. Environmental projects are defined as those dealing with environmental institution building, resource identification and management, drinking water, sanitation and disease control, human settlements, soils, plant and animal protection, and pollution reduction. Cutting such a broad swath allows CIDA to draw a reassuring picture of its activities. "Environmental and natural resources projects" so defined constituted about 12% of CIDA's commitments in 1981-1983. There are, to say the least, some conceptual problems with this definition. Drinking water and agricultural water alone constitute about half of this total. While rural water supplies do have important environmental implications it is perhaps a bit misleading to include this under "environmental" projects.

Despite this definitional problem, a number of projects clearly aimed at meeting environmentally defined objectives have been undertaken. According to the figures included in the CIDA paper (1984b, Table 2) these involve somewhere in the neighborhood of 5-6% of CIDA's total disbursements. The greatest effort has been in gathering basic environmental information and
in cataloging environmental problems, not in environmental management per se (Ehrhardt et al., 1981: 61).

CIDA provides assistance in all of the areas identified in the 1976 guidelines (Ehrhardt et al., 1981: 61). While no comprehensive list of CIDA environmental projects is available—due both to definitional ambiguity and to data accessibility constraints—examples are readily available. Current projects fall into two categories: rehabilitation of degraded environments and environmental management, including institution building. Environmental management has received the least attention, accounting for only a small fraction of disbursements (CIDA, 1984b: Table 2). This is at some odds with the 1976 sector paper, which focused on this type of assistance.

Special Programs Branch has been active in the provision of environmentally defined aid, funding numerous NGO environmental activities. The 1984 paper suggests that these activities account for twelve percent of total NGO disbursements. However, the same definitional caveat as above is applicable. Some eight percent of NGO budget goes to environment and natural resources organizations. The largest share in 1981-1982 went to the International Institute for the Environment and Development ($210,000), the Environmental Liaison Center ($104,000) and the International Union for the Conservation of Nature ($50,000) (CIDA, 1984b: 9).
Response to Structural Constraints

Structural constraints have been part of the reason for the mixed success of CIDA's environmental policies. One constraint is tied aid. The implications of "tying" on the effectiveness of aid in general has received much critical comment in the development literature. While recipient financing of local costs confirms commitment and interest, it can also exceed ability to pay. This is particularly true in environmental projects in which the bulk of the cost is local. Tying provisions are explicitly political and the federal government shows no sign of moving towards untying its bilateral aid.

Another constraint is that of staff environmental training and consciousness raising. The publication of the 1976 environmental guidelines went a long way in increasing the level of consciousness, but must be backed up, if not by administrative mechanisms, then at least by educational opportunities. CIDA has conducted environmental seminars and workshops for its staff, including workshops for upper management (Greene, 1984: 4-5). However, it has not provided the same environmental education opportunity as has USAID or IBRD, nor has it included environmental sensitivity in its recruitment procedures as has USAID (1983: 12).

Another constraint was imposed by CIDA's very growth in the early and mid 1970s. In a time of rapid expansion there
developed a tendency towards rapid turnover of the positions filled by staff. This has led to a lack of continuity within branches, and even within projects. This is true not only in the implementing branches, but also in Policy Branch. In particular, it should be noted that there has been a high turnover in policy staff responsible for environmental matters. What this means in effect is that what advances have been made—and there have been some significant environmental initiatives undertaken by CIDA staff—are lost.

The high turnover of staff highlights another problem at CIDA, namely the lack of an institutional memory (Ehrhardt et al., 1981: 88). This failing is a serious impediment, as it hinders the application of lessons learned from past projects. This problem is not restricted to environmental issues, and seems to be chronic at CIDA. Computerized information services coming online in the mid-1980s will reduce this problem, assuming that staff are encouraged to use them.

Interviews conducted by Ehrhardt et al. demonstrate an interest in, and knowledge of, environmental issues by CIDA staff (1981: 63-64). Staff pinpoint blame for a lack of movement on environmental issues on the paucity of effective operational policy. However, this does not mean that they are anxiously awaiting enforced environmental discipline as exists for USAID. The consensus opinion discovered by Ehrhardt et al. is for the automatic inclusion of an environmental component as an integral
element of the project feasibility study. Agreement exists on the point that environmental issues should be considered early in the process and that it should not slow down the "project cycle". Staff manifest a practical resistance to the inclusion of environmental concerns in their roles, accepting environmental goals, but noting the practical problems to be addressed.

Informal interviews and discussions with CIDA staff in 1985 for the most part supported these conclusions. However, one theme that emerged several times was the idea that environmental concerns necessarily entailed increased expenditures. In an era of government austerity this perception could well be a major constraint.

CIDA's highly centralized structure allows for the creation of cross-sectoral project teams, which can readily include environmental expertise, assuming that such is available. The relatively low level of field staff causes CIDA's Environmental policy to depend heavily on executing agencies and local cooperants.

When Ehrhardt et al. conducted their study of CIDA there was no environmental specialist at CIDA and only 60 out of 3,000 listings in its consultant pool identified specific environmental interests (1981: 43). A report commissioned by CIDA has identified sources of environmental expertise applicable to CIDA's growing needs, and ways of incorporating this expertise into its operations (Greene, 1984). Today CIDA has over one
hundred environmental experts listed.

Perhaps the most significant addition to CIDA's environmental policy has been the recruitment, in 1993, of an "Environmental Specialist". This officer assists in policy development, develops operational procedures for the conduct of EIA's, fulfills an advisory capacity, and is expected to be CIDA's liaison with environmental specialists and advisors in other aid agencies, and in general, to carry the CIDA flag in international fora. In summary, this officer is expected to fulfill the environmental focal point role identified at the end of the last chapter.

In practice the role that the Environmental specialist has played has been much larger. Green (1984: v) notes that:

"The new position of Environmental Advisor in Natural Resources Branch has generated, in a short time, a quite considerable demand for advice on environmental matters from other resource officers, planning and project officers and Country Program Directors and analysts."

According to Greene, the very presence of an environmental staff person generates an increased awareness of the environmental aspects of CIDA's operations, and a demand for environmental management advice. The environmental specialist thus fulfills roles that previously were filled on an ad hoc basis, if at all.

CIDA's performance in meeting the various structural constraints noted above has been mixed. Some, such as the
"tying" of aid are too closely allied with basic political objectives to be radically altered. Others, especially the creation of an environmental focal point, have already begun to reap rewards. Overall, a concern for the environment has not been fully internalized at CIDA, either by staff or by the organization itself.

Conclusion

In the years following the Stockholm Conference concern for the environment emerged as an element of both Canadian domestic and foreign policy. Internationally Canada has consistently provided rhetorical support for environmental concerns. This rhetorical support has been paralleled domestically, and has been backed up by the creation and implementation of environmental quality legislation. Furthermore, to a certain extent Environment Canada and its provincial counterparts act as environmental advocates within the state structure.

Growing environmental awareness in Canadian policy making has been reflected in official development assistance. The guidelines supporting the "basic needs" focus of the mid 1970s strategy contained commitments both to environmental quality assurance and promoted environmental projects. This support has continued to the present and is reinforced by the growing awareness in the South of the importance of environmental concerns to reaching development objectives.
Despite this support, CIDA's environmental performance has been disappointing. At the root of this is the lack of the effective translation of environmental concern into project selection and assessment criteria, and the corresponding failure of staff to internalize environmental values. Less fundamental are a number of structural constraints.

Some of the constraints on an effective environmental policy have been met at CIDA. Legal questions surrounding the application of EARP to CIDA have been resolved and CIDA is now obliged to adhere to EARP. This provides CIDA with a ready-made environmental assessment structure, access to the expertise at FEARO, and the incentive to take advantage of it. Accordingly, a growing share of CIDA projects will be undergoing environmental assessment in the future. Furthermore, some of CIDA's structural constraints have also been met. Of particular interest is the provision of a centralized environmental specialist to provide advice and to help develop policy.

One of the primary constraints on environmental advocacy at CIDA remains the lack of internalization of environmental values by staff. This conclusion was reached by Ehrhardt et al. (1981), Greene (1984) and was confirmed in the course of informal interviews by this author in 1985. Staff understand the need and are aware of the growing receptiveness of recipients to environmental concerns in general, and to environmentally defined projects in particular. Nonetheless, environmental concerns are
still afforded a relatively low priority. More importantly, environmental concerns are still mostly viewed in an adversarial manner, as a constraint on "development". This antagonistic perception may well be reinforced by the application of EÅRP, which will cause some reallocation of resources within CIDA. This will only be countered if EIA is used adaptively, if the results are incorporated into project design and are seen to improve project viability.
CHAPTER V

CIDA's Role in International Forestry

Introduction

In the time that it took to conceptualize, research and write this paper, an area of tropical rainforest the size of New Brunswick was destroyed. The destruction of tropical rainforests is one of the major environmental issues facing the world today. Contained within it are most of the issues raised in the preceding chapters. Canada is, and will continue to be, a major actor in international forestry, with a large aid commitment to this sector. CIDA's response to the environmental issues raised by the forestry sector will serve to illustrate its overall environmental policy.

After considering trends in forest use in the Third World, this chapter will investigate both the environmental and developmental implications of these trends. This will be
followed by a look at the changing focus of forestry in the Third World and at the response of the donor community to this shift. Canada's response will be assessed in terms of policy commitment, environmental quality assurance and the creation of environmental projects.

What is happening to forests in the Third World? The simple answer is that they are shrinking, though the rate of shrinkage is not clear, due both to definitional problems (what is the forest, and what is deforestation?) and to lack of data. Accordingly, the estimates vary. The Global 2000 Report to the President predicted that forty percent of Third World forests existing in the late 1970s would have vanished by the year 2000 (Barney et al., n.d.: 4). Straight line projections of current rates of forest conversion suggest that the tropical rainforest would have totally vanished by 2057 (Guppy, 1984: 629). In terms of the future of commercial exploitation, Barney et al. note that by "2020, virtually all of the physically accessible forest in the LDCs is expected to have been cut." (n.d.: 21) Even the optimistic conservative critique of the Global 2000 Report does not argue with the direction of the trends (Sedjo and Clawson, 1984). The dates, extent and consequences of forest conversion may be debatable, but the trends are not. Under current trends, the Third World will be essentially deforested by the turn of the century.
Goods and Services Provided by Tropical Forests

What are the consequences of tropical forest destruction? Deforestation, it has been argued, is necessary in order that other social and development goals be met (Sedjo and Clawson, 1984). Tropical forests, it is argued, are not a "good" land-use. To counter this argument, it is useful to consider what products and services tropical forests provide.

If the world loses as much forest as predicted, how will this effect people in the Third World? The list of impacts is long: the fuelwood crisis will be exacerbated, agricultural production will decline, hydrology projects will be upset, genetic resources will be lost, and there will be climatic changes, certainly at the local level and possibly at the global level (United States Department of Agriculture, 1980: 11; Bone et al., 1977: 29; Smith, 1981: 31). At a macroeconomic level, the balance of payments difficulties experienced by the underdeveloped countries will be worsened as supplies dwindle causing forest product exports to decline and causing the increased importation of substitutes for domestic consumption.

Deforestation in the South illustrates the question of intergenerational equity posed in Chapter Two. In deforesting the tropics, we are truly "felling the future" (McGrath, 1985). Current rates of destruction have transformed these forests into non-renewable resources in the sense that present day consumption
A precludes their use by future generations. While the moral aspects of such intergenerational competition are open to debate, current practice certainly does close off future sustainable use options.

Traditional Industrial Forestry Development

At the risk of doing injustice to the complexity of possible forestry development paths, the practice of development forestry can be divided into two styles. The traditional industrial style regards the forest as a standing stock of capital to be liquidated in order to achieve "development". In contrast, social forestry is concerned with the non-timber values of the forest.

The generation of foreign exchange is only one aspect of the traditional industrial forestry style. Industrial forestry has been seen as the best way for some countries to industrialize. Not only was there a growing demand for tropical timber products in the North, but also developing the industrial forestry sector seemed ideally suited to meet the industrial development needs of the South. Because it could be labour-intensive, needs relatively low skill levels and was located in rural areas, forestry could reduce rural underemployment. Industrial forestry could also lead to a more equitable distribution of income, because labour is recruited mainly from the lowest income groups (IBRD. 1978: 29). There is also demand for managerial skills.
that potentially could be filled by local personnel. Most important of all are the perceived backward and forward linkages of the forestry sector (ibid.; Douglas, 1983: 74). Industrial forestry development was expected to spill-over into other industrial sectors, especially in equipment manufacturing. Forward linkages would include the creation of a skilled workforce and the provision of infrastructure in rural areas. Other foreseen benefits included investment opportunities for domestic capital, development of depressed regions and the transfer of technology, including knowledge (Scott, 1982: 22-24).

Those making the industrial forestry case did not naively assume that all of these benefits would automatically occur. Serious obstacles were foreseen, and action taken to avoid them. A foremost issue concerned the amount of value-adding activities conducted in the South (Sartarius and Henle, 1968: 235). Other issues included the reproduction of the resource base (Bene et al., 1977: 20; Birowo, 1982: 118), lack of management infrastructure (IBRD, 1978: 10) and a lack of knowledge of existing forest stocks (Sartarius and Henle, 1968).

The ecological effects of industrial forestry were also recognized by its proponents. Sartarius and Henle noted that deforestation has been a factor in the downfall of ancient civilizations and in the impoverishment of some contemporary states. However, "good" forestry was seen as compatible with environmental values, which they list as a "secondary advantage"
of forestry development. More recent analysis has centered on the actual effects of forestry practice, noting its capacity for environmental disruption and seeking ways to minimize these effects (IBRD, 1977: 13).

Social Forestry

By the mid 1970s, the consensus among development foresters that the traditional industrial model was the most appropriate began to erode (Douglas, 1983: 67). What had become clear was the need to "take forestry out of the forest"; to make forestry meet the self-defined needs of rural people (Eckholm, 1976: 33). The hallmark of the new approach is the participatory role played by people.

In the traditional industrial model people were excluded from the forest. The job of the "forest guard" was to protect the trees from the people in order that the forests would be available for future industrial exploitation. The adversarial relationship between forest guards and local people is such in Thailand that some thirty guards are killed in gun battles with tree poachers each year (ibid., 24)! In social forestry the emphasis has been switched from "guarding the forest" to including the people (FAO, 1978: 15). If the people do not believe that they or their communities will ultimately benefit from local forestry projects, these projects will fail.
Social forestry projects cover a broad spectrum of activities. Major types of social forestry project are: village plantations, shelter-belts, agroforestry and integrated rural development. Social forestry also includes "environmental" forestry, which is designed to rehabilitate or expand the environmental services provided by forests. These include water catchment, slope stabilization and genetic preservation projects. Environmental forestry creates or protects, widely dispersed "common goods" that otherwise would not be provided or protected.

In summary, social forestry aims at meeting the real needs of people through self-reliant, ecologically sound strategies. This, the reader will recall, is the essential goal of ecodevelopment. Social forestry can thus be seen to represent an operationalization of the ecodevelopment concept.

Trends in Donor Agency Forestry Policy

From the 1950s to the early 1970s, the international forestry agenda was dominated by the traditional industrial forestry style. Industrial forestry was seen as a key factor in the industrialization of the South, and industrialization was the avowed goal. Donor agencies were won over by arguments that the role of forestry aid was to demonstrate that industrial forestry could be profitable, and that the "mistakes of the North" could be avoided (Sartarius and Henle, 1968: 16). Accordingly, and following the advice of their advisors, developing countries set
in cataloging environmental problems, not in environmental management per se (Ehrhardt et al., 1981: 61).

CIDA provides assistance in all of the areas identified in the 1976 guidelines (Ehrhardt et al., 1981: 61). While no comprehensive list of CIDA environmental projects is available—due both to definitional ambiguity and to data accessibility constraints—examples are readily available. Current projects fall into two categories: rehabilitation of degraded environments and environmental management, including institution building. Environmental management has received the least attention, accounting for only a small fraction of disbursements (CIDA, 1984b: Table 2). This is at some odds with the 1976 sector paper, which focused on this type of assistance.

Special Programs Branch has been active in the provision of environmentally defined aid, funding numerous NGO environmental activities. The 1984 paper suggests that these activities account for twelve percent of total NGO disbursements. However the same definitional caveat as above is applicable. Some eight percent of the NGO budget goes to environment and natural resources organizations. The largest shares in 1981-1982 went to the International Institute for the Environment and Development ($210,000), the Environmental Liaison Center ($104,000) and the International Union for the Conservation of Nature ($50,000) (CIDA, 1984b: 9).
out on a course of aggressively marketing their forests (Routley and Routley, 1980: 65).

Industrial forestry has continued to dominate the forestry activities of the donor agencies (USDA, 1980: 30). However, there has been a recent shift amongst the donors towards social forestry (IIEA, 1984: 20). Indeed, some of the donors are playing a leading role in the definition of the new style (see, FAO, 1978; IBRD, 1978). This is due both to a general shift away from "industrialization" by the donors and a recognition of the basic needs met by tropical forests. Industrial forestry, by contributing to deforestation, can worsen the lot of the rural poor, depriving them of access to common goods. The forest industry replaces permanent, broadly distributed goods with temporary, highly concentrated returns (Plumwood and Routley, 1982: 13). Furthermore, industrial forestry is only an option in wood-rich areas such as South-East Asia. In many of the poorest countries, for example in the Sahel, it is not an option, whereas social forestry is.

The adoption of social forestry depends on the recognition of the total value of goods and services provided by tropical forests. Underpinning the new approach is a retreat from a purely financial assessment of project returns. Project outcomes are to be assessed on both their financial rate of return and their production of non-marketed outputs, including enhanced environmental values (Commission of the European Communities,
1985: 6; FAO, 1978: 65). In other words, donor agencies would have to adopt a modified Cost Benefit Analysis along the lines developed in Chapter Two.

CIDA and the Forests

The main focus of Canadian aid in the mid 1980s is on food, energy, and human resource development. The forestry sector has an important role to play in each of these. Forestry assistance has come to play a large role in Canada's aid program, accounting for between five and ten percent of disbursements. This role is expected to continue, a 1985 CIDA forestry sectoral review declared that:

"The forestry sector provides some of the most outstanding opportunities of the next decade to achieve the objectives of official Canadian development assistance."

Canadian involvement in development forestry stems from both recognition of the role that forestry can play in development and from expected commercial spin-offs. The "aid-trade" link between forestry assistance and the international marketing of Canadian skills and equipment has been clearly drawn by CIDA (CIDA, 1985: 137). This linkage can be expected to be strengthened in the near future.

Canadians participate in international forestry through a variety of channels. These include various United Nations
organizations, Commonwealth associations and a large number of international forestry organizations (Macleod, 1978). While Canada's participation in these is significant, the largest share of Canadian forestry assistance flows through CIDA. Within the donor community, CIDA is one of the leading suppliers of forestry assistance. The other major players are USAID, the World Bank, the Asian Development Bank and UNDP (CIDA, 1985: 6).

Canada is well equipped to offer industrial forestry assistance. Perhaps most importantly, the Canadian forest industry has within it a wealth of expertise. Despite evolving in a capital and temperate environment, some of this expertise is suitable to some Third World countries. Canadian forestry assistance capacity is further evidenced by strong domestic forestry institutions. These include both the provincial forestry ministries and the Canadian Forestry Service. Further expertise is found in the universities and colleges, a number of which have forestry programs. Canada's forestry consulting community is, in the estimation of forestry experts at CIDA, "second to none" (CIDA, 1985: 87). Further capacity can be found in a number of NGOs, a number of which have become involved in Third World forestry, particularly in social forestry projects (CIDA, n.d.: 19).

The Canadian aid establishment has some in-house forestry
capacity. CIDA's Professional Services Branch has five forestry experts whose task is to provide technical advice and guidance to the operational branches. It also maintains a roster of about a dozen forestry consultants on standing offer agreements and makes ad hoc use of some fifty more (CIDA, 1985: 56-59). Additionally, IDRC has become increasingly interested in forestry, and has conducted a number of social forestry research projects (Sanger, 1977; Bene et al., 1977).

Canada's industrial forestry assistance capacity is impressive. There are, however, a number of factors that constrain its forestry program. Some of these are domestically generated. At a fundamental level, the operational philosophy of Canadian forestry does not include social forestry. This has tended to focus Canada's aid program on industrial forestry, a direction reinforced by the tying provisions of Canadian aid. These provisions ensure that industrial forestry projects with high imported capital equipment needs readily fulfilled by Canadian firms are preferred to social forestry projects with high local costs (CIDA, 1985: 120). With the notable exception of some NGO activities, Canadians have little social forestry experience, at home or abroad.

The Canadian focus on industrial forestry in its aid program is further compounded by the perception of Canada in the South as a major industrial forestry power. Aid requests accordingly tend to be concentrated in industrial forestry. The paucity of
requests for social forestry projects is reinforced by failures within the South to perceive the need for them, or the receptiveness of the donor community to them.

CIDA Forestry Policy: In Transition?

The definition of forestry adopted by CIDA in the mid 1970s was wide-ranging and included a concern for environmental values. However, Canadian forestry assistance has historically concentrated on forest inventories and professional training, both with an industrial forestry bias. By the mid 1970s, when the 1976 sectoral guidelines were issued, CIDA's forestry activities had expanded to include land-use studies, integrated rural development, forest fire, erosion and pest control, road building, rough terrain logging, sawmilling technology, equipment maintenance, mechanization, and downstream marketing (CIDA, 1976: F7-8). The majority of these new types of projects reinforce the industrial forestry bias of CIDA.

The top forestry assistance priority identified in the 1976 Guidelines was the wise management of the forest resource based on a sound knowledge of the resource base and on the establishment of effective forest services in recipient states (CIDA, 1976, F4). Second priority was awarded to the training of indigenous personnel to staff forestry institutions, third to encourage downstream processing. Finally, there was a concern that forestry policy should be integrated into the overall
country development planning. The approach underpinning these guidelines was the traditional industrial forestry development style. The importance of the forests to local economies, other than its employment effects, is not a theme in the 1976 guidelines. The contribution of wood towards meeting local energy needs was not even mentioned.

The traditional industrial forestry style adopted by CIDA in the 1976 guidelines did not ignore environmental values. Indeed, a concern for environmental values was awarded a high priority in the guidelines:

"As the long-term development of any forestry project hinges on the survival of an adequate environment, the planning should provide for environmental protection. This should be suggested to the recipient countries, if no such request is forthcoming. The financial cost of this protection should be borne by the donor country." (CIDA, 1976: F14)

This clause, despite the fact that the rationale behind it is to preserve future industrial options, is quite striking. It indicates an awareness of the importance of environmental issues to long-term development. Furthermore, it demonstrates that CIDA is prepared not only to promote environmental concerns in its relations with its recipients, but also to foot the bill. The latter point is important, and follows through from the Canadian commitment to "additionality" made at Stockholm. Further priorities in the Guidelines include support for innovative research into such things as agroforestry and for the launching of pilot projects to demonstrate the viability of new approaches
(ibid.: 14-17).

The problem with these guidelines, as noted in Chapter Four, was that they were not translated into effective program selection and design criteria. Furthermore, this environmental policy, arising in another part of CIDA, had little impact in forestry sector activity.

In the mid 1980s, CIDA undertook a review of its forestry assistance program resulting in the Forestry Sector Strategy released in 1985. This strategy paper provides a current breakdown of CIDA's forestry assistance and suggests future directions for the agency. As of 1985, CIDA had participated in 210 projects in which forestry was a major element (CIDA, 1985: Annex 1). These projects have had a total value of about 450 million dollars. The largest share of these projects was in French Africa, followed in order by Asia, Latin America, and English-speaking Africa. The majority of these projects are in forest management (58%), which traditionally translates into management for the maximization of economic rates of return. The second largest category is the wood products industry, accounting for a share of 32.8%. The objectives of CIDA's other forestry projects are, in descending order: rural forestry (15.9%), fire management (4%), harvest technology (3.5%), the pulp and paper industry (1.8%), wildlife systems conservation (1.7%), agroforestry (0.8%) and wood-based energy production (0.4%) (derived from CIDA, 1985: Annex 1).
The relatively large share of assistance to rural forestry is both recent and statistically biased by one major project in India. Nonetheless, it is indicative of a shift in perspective at CIDA; in 1976 rural forestry was not even given explicit mention in the guidelines. Furthermore, CIDA supports rural forestry projects through the NGO division of its Special Programs Branch. CIDA has contributed to about 300 NGO fuelwood and fodder projects (CIDA, 1985: 74). The large number of NGO rural forestry projects that CIDA supports suggests that CIDA understands both the value of rural forestry and the role that NGOs are equipped to play (ibid., 162). Future CIDA policy in this area may well follow in the footsteps of the more innovative NGO community.

While the bulk of CIDA’s environmental forestry projects are in social forestry, it does have a number of more explicitly environmental projects underway. Some examples include reforestation in Haiti, watershed management in Colombia and reforestation and conservation of wildlife resources in Kenya (CIDA, 1984d).

The Forestry Sector Strategy noted a number of trends in the practice of CIDA forestry (CIDA, 1985: 114). These included an increased emphasis on forestry in country program reviews, improved perception of the fuelwood crisis, a growing awareness of the magnitude of forestry development problems and of the role that forests play in rural economies. The need for more
attention to conservation activities has also been brought home, as has the need for long-term program. The short-term forestry policy proposed by the Strategy is a true hybrid of these trends within CIDA (CIDA 1985: 148-155). On the one hand, social forestry is promoted, on the other, traditional industrial forestry is given a boost. This includes the tightening of aid-trade links. The strategy paper also emphasizes the importance of selling CIDA's forestry assistance at home.

The long-term strategy recommended by the 1985 review addresses some of the environmental issues associated with development forestry (CIDA, 1985: 151-171). First of all, it suggests the adoption of the comprehensive socio-economic forestry project appraisal model developed by the World Bank. This model allows for the inclusion of unquantifiable social and environmental variables. However, this model is not detailed in the strategy paper, and is not familiar to all CIDA forestry staff. The strategy also recommends that a preliminary EIA be undertaken for all forestry projects, noting that:

"The impacts of past CIDA projects on basic resource productivity...and on environmental quality and strategic genetic protection have not been adequately studied or monitored." (CIDA, 1985: 157)

Most of the long-term strategy proposed by the 1985 review deals with expanding the resources of CIDA's forestry arm and with expanding Canadian tropical forestry expertise.
Conclusion

In summary, most of the issues raised in the preceding chapters are applicable to the forestry sector. Thus, while environmental and developmental objectives seem at first to be opposed, the two can be reconciled through the wise husbandry of a fragile and essential resource. The successful fulfillment of this mandate will be based on reformed economic decision-making. Values that have not been included in traditional decision-making must be recognized and given a weight appropriate to the role that they play in fulfilling needs.

Donor agency forestry policy, including CIDA's, is in transition. Trends over the past decade indicate that the environment is being increasingly integrated into the decision-making process at CIDA, and the 1985 Forestry Sector Strategy gives the environment a major role. This reflects a growing agency awareness of the social and environmental functions fulfilled by forests in the Third World. Support for environmental values in the forestry sector parallels that in the rest of CIDA.

As of 1985, CIDA nonetheless has in place no formal agency environmental quality assurance procedures. Environmental impact assessments are not currently conducted on a routine basis for CIDA forestry sector projects. However, forestry advisory staff will recommend that environmental issues be included in the terms
of reference of lead contractors "where required". Examples of projects "requiring" EIA include logging, large-scale land-use transformations and industrial processing. These assessments are undertaken on an ad hoc basis, and depend on forestry advisory staff recommending them, on regional staff accepting the recommendations and on the cooperation of lead contractors. As noted in Chapter Four, the need for a more formalized assessment procedure has been recognized at CIDA and is being worked on. Furthermore, a commitment to increased environmental assessment was included in the 1985 strategy paper.

Industrial forestry has traditionally accounted for the largest share of CIDA forestry projects. However, a growing but still small number of projects have explicit environmental goals. The increased interest in social forestry projects is of particular interest, as these projects come close to operationalizing ecodevelopment concepts. Another positive sign is CIDA support for NGO community social forestry projects.

The overall impact of CIDA forestry policy on the environment depends on the integration of its assistance into the political economies of recipients. The ultimate impact of forestry assistance depends on how it is used. At the two extremes, forestry assistance can lead to the careful management of the forest resource for long-term production values, or it can contribute to the rapid liquidation of the forests for short-term gain (Ehrhardt et al., 1981: 88). To an extent the final outcome
will be determined by the degree of concerned donor participation. The task for CIDA, and for the donor community as a whole, is to ensure that its forestry assistance does not contribute to the ultimate destruction of the tropical forest resource.
CHAPTER VI

Conclusion

Are the environment and development antithetical? Is aid to the Third World contributing to the destruction of the environment? These two fundamental questions are at the heart of the issue addressed by this thesis: how can aid flows be made more sensitive to environmental concerns?

The conclusion to be reached from the discussion in Chapter One is that a synthesis between environmental and developmental concerns is possible, but only if narrow revenue-accounting definitions of development are abandoned. It is equally important to ignore environmental definitions that focus on the preservation of pristine ecologic values without regard for short-term human consequences. At the same time the ecodevelopment synthesis, which equates environmental and development goals, runs the risk of obscuring the trade-offs that must occur.
The trade-offs between narrow, ecologic and economic values form the substance of the environmental economics literature discussed in Chapter Two. The two main tools that have been developed are environmental impact assessment (EIA) and environmental cost benefit analysis (CBA). However, in the final analysis it must be recognized that environmental values cannot be fully quantified, and must be considered as extra-economic additions. Despite their shortcomings, EIA and environmental CBA provide donor agencies with the tools to integrate environmental concerns into their operations. The question that remains is, to what extent have donors been motivated to take advantage of these?

The donor community as a whole has recognized that it plays a role in global environmental issues. More to the point, donors have come to understand that effective environmental management is an important, prerequisite to sustainable development. Accordingly, the environment has been widely accepted as a policy concern by the donor community.

For some donor agencies environmental concern has been backed up by legal obligations to adhere to national environmental legislation. This includes USAID, which was successfully taken to court by environmentalists concerned with its earlier avoidance of US legislation, and CIDA. The actual implementation of environmental legislation is characterized by a great deal of flexibility and room for negotiation. This is
particularly true of the Canadian case. Accordingly, adherence to domestic environmental law should not be seen as the imposition of rigid standards; the processes employed are adaptable to the varied social, economic and ecological environments of recipients.

In the years following Stockholm the South has become more receptive to environmental issues. Environmental projects are welcomed, and increasingly requested. Furthermore, many recipient states are putting into place their own environmental quality assurance provisions. They welcome assistance both in creating environmental management infrastructures and in the assessment of development projects. However, the environment is still awarded a lower priority than more traditional concerns.

Two of the world's major donor agencies, the World Bank and USAID, have moved into what can be termed environmental activist positions. Not only have they put into place measures to ensure environmental quality, but they have also actively promoted environmentally defined projects. While these policy advances could stand improvement, they do represent the present state of the art.

Other donor agencies are moving towards the adoption of similar policies. In the mid 1980s the environmental policy of CIDA is under review, and a number of reforms are in progress. These reforms center on the implementation of a corporate environmental policy. Environmental projects, as such are not an
important element at CIDA, and are not likely to become so in the near future. Nonetheless, CIDA is undertaking a number of environmental projects and is supporting NGOs and multilateral fora with environmental objectives. These trends indicate that environmental policy may become more important in CIDA.

The inclusion of environmental quality assurance provisions will complicate the policy dialogue between donors and recipient states. For those states that have not yet integrated environmental concerns into their decision-making, the imposition of donor state environmental values is a form of conditionality. For this reason it is important to clearly articulate EIA policy; this policy must be proven to recipients to be both necessary and cost-effective. In this way "conditioning" aid to environmental standards is no different than conditioning projects to basic economic and technical standards. Nobody wins if a project fails because it violates basic economic, technical or ecological laws.

The forestry sector provides an ideal case study of many of the issues raised in this thesis. Environmental concerns, when narrowly defined, seem in this sector to be diametrically opposed to development issues. However, when the values derived from standing forests are taken into account, the two extremes merge and the issue becomes one of the wise husbandry of a precious resource. This must include management for commercial harvesting and for other values, including environmental. The forestry
development style of the donor community is shifting. While still largely dominated by what can be termed the traditional industrial forestry style, there has been a recent move towards social and environmental forestry.

Canadian forestry assistance is firmly in the traditional industrial forestry camp. However, it has moved in recent years towards introducing rural forestry projects, a trend reinforced in the 1985 sector strategy paper. Environmental quality assurance for forestry sector projects has been on an ad hoc basis. However, this will be corrected as corporate EIA procedures come into force.

The conclusion reached by this thesis is guardedly optimistic. The environment and development are not antithetical. Donor agencies can incorporate the environment as a policy element. At a rhetorical level, support for environmental issues has now become almost ritualistic, and many agencies are moving to integrate environmental elements into operational policy.

Donor agencies can play a vital role in the restructuring of our relationship to the environment. This role is a catalytic one, far greater than the mere impacts of actual aid programs. The examples that they provide and the environmental infrastructures that they nourish can be the cutting edge of reform, without which the human species may not be able to survive itself.
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