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STATEMENT OF

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BEFORE THE

SUBCOMMITTEE ON ECONOMIC POLICY, TRADE AND ENVIRONMENT

COMMITTEE ON FOREIGN AFFAIRS

U.S. HOUSE OF REPRESENTATIVES

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TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	THE NEED FOR A STRONG BILATERAL ENVIRONMENTAL PROGRAM	1
III.	RESTRUCTURING THE AGENCY FOR INTERNATIONAL DEVELOPMENT	3
	A. AID's Current Environmental Program	4
	B. Issues of Special Interest to Congress	7
	1. Tropical Forests and Biodiversity	7
	2. Global Warming Initiative	8
	3. Population	10
	4. Aid to the Former Soviet Union	11
	C. Recommendations for Reform	12
IV.	STRENGTHENING OTHER BILATERAL PROGRAMS TO SUPPORT ENVIRONMENTALLY SUSTAINABLE DEVELOPMENT	15
	A. Domestic Environmental Agencies	15
	B. International Development Foundations	16
	C. Export Promotion Agencies	16
	D. Environmental Review Procedures	17
V.	CONCLUSION	18

I. INTRODUCTION

Thank you, Mr. Chairman, for this opportunity to share with your subcommittee the views of the Natural Resources Defense Council (NRDC) on the environmental performance of the Agency for International Development (AID). The topic is of critical importance. Unsustainable development and its resulting degradation of the environment threatens the lives and livelihoods of billions in the developing world, central and eastern Europe, and the former Soviet Union. Environmental ills in these nations will have cumulative impacts on the global environment and economy which could jeopardize the long-term security of the United States. Humanitarian, economic, and security interests compel the U.S. to reassert its leadership in support of environmentally sustainable development abroad.

AID, or a successor agency, should play a key role in this effort. Its current management woes notwithstanding, AID has responded more effectively to developing countries' environmental challenges over the years than any other development institution. Properly managed, AID can bring to bear a unique combination of technical expertise, political leverage, and accountability to both local and U.S. interests. NRDC strongly urges the Congress to work closely with the Administration to restore a strong, U.S. bilateral development assistance agency with a core mandate to promote sustainable development.

NRDC is a non-profit organization dedicated to protecting the environment, public health, and natural resources. We are supported by 170,000 members in the U.S. and abroad. For more than fifteen years, our International Program has worked to promote environmentally sustainable development by advocating strong environmental policies at AID and the multilateral development banks (MDBs), by pressing for international environmental agreements -- including the recent treaties on ozone depletion and global warming -- and by urging environmental reform of international trade agreements. We have also supported local environmental efforts by non-governmental organizations (NGOs) in Africa, Asia, Latin America, Central Europe, and the former Soviet Union. I joined NRDC in 1988 and direct our advocacy at the international development institutions and work closely with NGOs in Asia and Latin America on environmental and energy issues of local concern. I hold a bachelor's degree in economics and political science from Yale University.

II. THE NEED FOR A STRONG BILATERAL ENVIRONMENTAL PROGRAM

Environmental degradation harms the lives and livelihoods of billions every day. While the U.S. and other western nations now devote substantial resources to preventing this damage, much of the world cannot. In their pursuit of a better life -- and often mere subsistence -- growing populations in Africa, Asia, and Latin America, face polluted air and water, degraded lands, and depleted natural resources. These nations typically lack the financial and technical resources -- and often the political will -- to restore environmental quality and develop environmentally superior economic activities. They

also face a momentous challenge in providing food for their people in an environmentally sustainable manner.

In the former Soviet bloc, the toxic legacy of Soviet style industrialization includes high rates of cancer, respiratory diseases, and child mortality, low life expectancies, severely polluted air, rivers, and lakes, and dead and dying forests. Like the developing countries, these nations are struggling to address overwhelming environmental challenges with severely constrained budgets.

The impacts of environmental degradation in these countries transcend their national borders. Inefficient energy consumption and deforestation are major sources of "greenhouse gases" that, unmoderated, will disrupt the earth's climate. The former Soviet Union is presently the second largest source of greenhouse gas emissions; the developing world will likely account for the majority of emissions by the middle of the next century. More than half of the earth's living species are found in tropical ecosystems. The rapid destruction of natural habitats around the globe threatens the biological capital on which human health and wealth depend.

Long-term economic progress in these nations -- vital to the United States' export-dependent economy and to international political stability -- will depend on a clean environment, a biologically healthy natural resource base, and their ability feed their people through environmentally sustainable agriculture. It is in our immediate self-interest to support developing countries and the former Soviet bloc in making the transition to environmentally sustainable development.

This is a pledge that the United States has already made in agreeing to Agenda 21 at last year's Earth Summit and in signing treaties on ozone depletion, global warming, and -- as recently promised by President Clinton -- biological diversity. Our national interest and commitments are clear. This year, the Administration and Congress should work together to formulate an effective program for international cooperation on sustainable development.

A strong bilateral assistance program will be a critical. While multilateral efforts through the MDBs and U.N. agencies may offer a financial advantage in leveraging U.S. contributions, they lack the flexibility, accountability, and potential for experimentation with innovative approaches that bilateral programs offer. The MDBs are also not well structured to provide the critical services of local capacity building, training, and small project support for non-governmental organizations (NGOs) and small government agencies.¹

¹ For these reasons, NRDC and other environmental organizations are particularly concerned about the World Bank's aggressive efforts to promote the Global Environment Facility (GEF) as a "unitary fund" for the climate, biodiversity, and ozone conventions. Assistance in these areas,
(continued...)

The record attests to the importance of these characteristics. Since AID first adopted environmental regulations in the mid-1970s -- in response to public pressure brought by NRDC and others -- it has been the leader among development agencies in addressing environmental threats, including rapid population growth. Strong public and congressional interest led AID to launch programs to protect biodiversity and limit greenhouse gas emissions years before multilateral agreements on action could be reached. AID, responding again to clear public and congressional interest, continues to maintain one of the world's leading population programs. The flexibility and accountability of a bilateral program will continue to be critical in the future to allow rapid and innovative responses to urgent challenges.

The U.S. environmental assistance program should not be limited to a restructured AID. Other domestic agencies, including EPA, the Fish and Wildlife Service, and the Forest Service, can provide much needed expertise overseas. The federally funded development foundations, including the Inter-American Foundation, the African Development Foundation, and Appropriate Technology International, are often more capable than AID of supporting innovative, grass-roots sustainable development projects. Finally, our export promotion agencies -- the Commerce Department, the Export-Import Bank, OPIC, and the Trade and Development Agency -- should stimulate the application of cutting-edge U.S. environmental technologies and services abroad. These agencies must also ensure that their environmental regulations are consistently applied to all projects.

III. RESTRUCTURING THE AGENCY FOR INTERNATIONAL DEVELOPMENT

AID's current management problems and its consequent lack of direction and effectiveness are well known even to the casual observer. An editorial in last Friday's Washington Post cited over forty internal and external efforts undertaken in recent years -- including two Presidential commissions -- to understand and recommend remedies for the agency's failings. It is now clear that weak leadership combined with a proliferation of multiple, sometimes contradictory objectives, have severely crippled AID.

Equally clear, however, are the compelling U.S. interests in rehabilitating a strong development assistance agency. Ending poverty, protecting the environment, stabilizing population, and empowering people to better their own lives -- the core elements of "sustainable development" -- are critical to shaping a just, peaceful, and prosperous world. NRDC joins many other U.S. non-governmental and private voluntary

¹(...continued)

particularly biodiversity, requires small grants, the involvement of local communities, and the carefully monitored use of innovative approaches -- services the World Bank and UNDP have not shown themselves capable of delivering. The U.S. should maintain a strong bilateral program to address these global environmental challenges and explore alternative multilateral arrangements to the GEF.

organizations in urging the Congress and the Administration to articulate the promotion of sustainable development as the central, overarching mission of a rehabilitated AID, or a successor agency.

Strong leadership -- backed by White House and Cabinet support -- is urgently needed at AID to carry out this mission by articulating a limited set of measurable objectives for the agency and reorganizing it effectively to address those challenges. NRDC was impressed last week by Brian Atwood's confirmation testimony which identified democracy and human rights, sustainable development, and environmental protection as leading goals for AID. Mr. Atwood has the right experience, interest, and political support to do the job effectively. We hope that the Senate will act quickly to confirm him. We are particularly encouraged by his earlier statements calling for a reorganization of the agency along functional lines to ensure superior performance in key areas, including environmental protection. As we describe below, AID's current structure has produced a scattershot approach to key environmental issues of international -- not to mention congressional -- concern.

The value of strong leadership cannot be overstated. For the past several years, I and my colleagues in the environmental community have watched AID become consumed by destructive in-fighting and turf conflicts -- even among its environmental staff. As I describe below, one of the new Administrator's first acts should be to create a central, senior-level position to impart direction and leadership to AID's environmental efforts.

A. AID's Current Environmental Program

In 1992, AID published an Environment Strategy that assesses the range of environmental threats the agency seeks to combat and describes its preferred methods of addressing them. The document identifies five categories of environmental problems:

- Loss of tropical forests and other critical habitats for biological diversity;
- Unsustainable agricultural practices;
- Environmentally unsound energy production and use;
- Urban and industrial pollution; and
- Degradation and depletion of water and coastal resources.

The strategy commits AID to promote environmentally sustainable development by (1) ensuring, through environmental review procedures, that all activities are "environmentally sound;" (2) integrating environmental considerations into all activities; and (3) supporting projects to protect the environment and conserve natural resources.

For the latter two categories, the strategy identifies three preferred approaches: (1) building human and institutional capacity and public awareness, (2) reforming environmentally unsound policies; and (3) encouraging private sector participation in environmentally sound activities.

In FY91 -- the most recent year with solid accounting -- AID officials estimate that the agency obligated some \$663 million to address the five environmental problems listed above.² This level of effort -- if maintained in succeeding years -- would appear to satisfy congress's FY93 earmark of \$650 million for environmental and energy activities. However, present data, while still incomplete, suggest that environmental obligations could fall below this level in FY93.

In NRDC's judgement the level of annual obligations -- while critical -- is less important than the quality of the environmental portfolio it represents. Unfortunately, the agency's present structure lacks the field expertise and central authority needed to guarantee a high-quality, well balanced program. AID country missions and their regional bureaus share primary responsibility for designing and implementing projects. Yet the missions employ shockingly few direct-hire, professionally trained environmental and energy staff. The regional bureaus' environmental units are also thinly staffed and spend much of their time enforcing the agency's environmental review procedures. The central Bureau for Research and Development -- home to much of AID's energy and environmental expertise -- is limited to supporting missions and regional bureaus on request. The only central authority to influence the overall portfolio rests with the Policy and Finance and Administration Directorates, which employ only a small handful of direct-hire environmental staff.

The new Environment Strategy reinforces these weaknesses by directing missions and regional bureaus to "focus" on a limited number of environmental threats for each country and region. These are to be (1) "significant constraints to development," (2) urgent problems that require immediate action, and (3) priorities that host countries are committed to address. While these are useful criteria, the resulting regional and mission "foci" in Latin America and Africa neglect significant and urgent issues -- energy efficiency, renewable energy, and pollution -- in which the missions and bureaus appear to have little expertise and, therefore, little interest.

As a result of AID's geographically based structure, its environmental "program" is little more than an aggregate of what individual missions, and in some cases regional bureaus, decide to undertake. It is also -- like other AID efforts -- heavily skewed by the political considerations underlying the Economic Support Fund and other "special initiatives."

² This is an unofficial, unpublished, internal estimate.

The results -- while details are sketchy³ -- are not very impressive. Of the \$663 million claimed for the environment in FY91, nearly 40 percent went to one country -- Egypt -- largely for a few sanitation and electricity infrastructure projects. Geographically, the balance is spread fairly evenly among Africa, Asia, Latin America and the Caribbean, Central and Eastern Europe, and elsewhere in the Near East. Political considerations, however, have produced a disproportionately high level of funding for Central and Eastern Europe.

Substantively, outside of Egypt, "green" environmental activities -- tropical forests, biodiversity, and sustainable agriculture -- appear reasonably well funded.⁴ However, "brown" environmental threats -- energy and pollution -- receive extremely little support. A number of AID environmental professionals have suggested that AID's portfolio lacks appropriate emphasis on pollution issues because most mission environmental staff have backgrounds in agriculture and natural resources -- few in energy and environmental sciences.

The lack of agency support for energy efficiency and renewable energy is particularly troubling, given the substantial contribution of energy production and use to national, regional, and global environmental threats. Outside of the Near East, energy efficiency and renewable energy obligations amounted only to some \$54 million in FY91. A large energy efficiency effort in Central and Eastern Europe accounted for almost half of this. Elsewhere, energy activity -- apart from rural electrification -- is minimal and much of the energy efficiency and renewable energy activity that exists is a result of what could be described as "missionary" work by the R&D Bureau's Office of Energy and Infrastructure. Few missions and regional offices have energy efficiency or renewable energy professionals. As described above, Latin America and Africa excluded energy from their list of environmental "foci."

Urban and industrial pollution control and prevention projects are also quite limited, amounting to only \$21 million outside of the Near East in FY91. Support is increasing, particularly in Asia and in Central and Eastern Europe, where urban and industrial pollution problems are particularly dire and widespread. Obligations outside the Near East may increase to slightly more than \$50 million in FY93.

³ While AID has commissioned a review of its environmental funding by region and objective, neither AID nor any outside group has undertaken a comprehensive, detailed review of its projects. As a result, one can assess how well AID is targeting its funds by country and by issue, but not how well the agency is designing and managing its projects.

⁴ Currently, however, there appears to be pressure within AID to exclude soil and water conservation and other sustainable agriculture projects from funding under the FY93 environmental earmark. Congress should instruct AID that sustainable agriculture projects aimed at improving natural resources management should qualify for funding under the earmark.

B. Issues of Special Interest to Congress

Congress has directed AID in recent years to place special emphasis on two global environmental challenges -- the loss of tropical forests and biodiversity and the threat of global warming. Population growth, a long-standing issue of congressional concern, is also a fundamental challenge to environmental sustainability. NRDC and other environmental organizations have joined in support of increased funding for, and more effective management of, AID's population program.

1. Tropical Forests and Biodiversity

The planet's natural diversity of species and ecosystems is quite literally the fabric upon which human life and prosperity depend. New technologies, particularly pharmaceuticals, are still derived regularly from wild plant and animal species. Genetic diversity within plant species allows for adaptation of agricultural crops to resist pests and disease. The U.S. agricultural industry, for example, relies on the existence of wild cultivars, often found in developing countries. Diverse ecosystems serve critical ecological functions, providing unique species habitats and regulating water systems and climate.

Humankind has a clear interest in reversing the rapid decline in species and ecosystems currently underway around the globe. Halting the destruction of tropical forests is particularly critical. These forests house more than half of the world's species, regulate local and global climate, and meet the daily subsistence needs of forest dwellers and surrounding communities. Agricultural settlement, forestry and other natural resource development, and fuelwood collection are currently destroying tropical forests at an annual rate of some 40-50 million acres.

Amendments to the Foreign Assistance Act in 1986 established a mandate for AID to support conservation of tropical forests and biological diversity. Since then, Congress has earmarked funds for biodiversity conservation in annual appropriations legislation. The biodiversity earmark for FY93 is \$20 million.

AID reported to Congress last year that funding for tropical forest and biodiversity conservation reached \$125 million and \$72 million respectively in FY91, with an "overlap" of \$36 million in dual-purpose projects.⁵ FY91 capped four years of rapid growth in obligations in both areas, especially biodiversity. Since FY91, while data are still incomplete, internal AID estimates indicate that biodiversity funding grew in FY92 but may decrease sharply in FY93. Even so, funding levels are still expected to meet the

⁵ AID, Tropical Forests and Biological Diversity: USAID Report to Congress, 1990-1991. Washington, DC, May 1992.

congressional earmark. Tropical forestry obligations appear to have dropped dramatically in FY92 and may continue to fall in FY93.

Again, while funding levels are important, the real test of AID's tropical forest and biodiversity conservation program is the quality of its portfolio. Fortunately, the Africa, Asia, and Latin America and the Caribbean bureaus all have identified this area as a key focus and, consequently, their environmental professionals are closely involved in project design and oversight. The R&D Bureau's Office of Environment and Natural Resources also maintains sizable forestry and biodiversity projects that provide significant support to AID field missions. Particularly important is the Biodiversity Support Program, managed by a consortium of the World Wildlife Fund, the World Resources Institute, and the Nature Conservancy.

In general, AID has followed a positive trend in recent years of increasing support for the conservation efforts of international and local non-governmental organizations (NGOs) in all regions. NGOs are often superior agents of conservation as they combine technical expertise, personal dedication to environmental protection, administrative flexibility, and a sensitivity to needs of local communities. Congress should support AID's increasing willingness to work with NGOs, particularly in-country organizations.

In this regard, Congress should encourage AID to make greater efforts to help establish and fund in-country foundations or trust funds to support local conservation initiatives. Foundations or trusts can provide sustained, long-term funding in the small amounts typically needed for conservation and sustainable development projects. The focus of such entities need not necessarily be limited to tropical forests and biodiversity. They could support a range of efforts from sustainable agriculture, to energy efficiency, to non-governmental research and advocacy on environmental law and policy. The Enterprise for the Americas debt relief program offers a useful model in creating local-currency, environment and child survival trust funds, administered by national-level bodies with majority NGO representation. Another helpful model is the Foundation for the Philippine Environment, which received initial capitalization through a debt swap funded by AID. AID is now examining the feasibility of using the foundation or trust fund model to support environmental activities in Africa.

2. Global Warming Initiative

Human industrial and agricultural activity is emitting heat-trapping "greenhouse" gases into the atmosphere at rapidly rising levels that threaten to alter the planet's climate. The Intergovernmental Panel on Climate Change, a body of leading climate scientists, has concluded that global average temperatures could rise by 2-5 degrees celsius by 2050 if emissions continue to grow at current rates. Such a rapid change -- unmatched in human history -- would be accompanied by rising sea levels, increased coastal storms, changes in regional weather patterns and soil moisture, and "shifts" of whole ecosystems to higher latitudes. These changes would have significant impacts on

heavily populated coastal areas, agricultural production, human health, and wildlife populations.

The U.S. and other industrialized countries are primarily responsible for the present accumulation of greenhouse gases in the atmosphere. The release of carbon dioxide from fossil fuel combustion accounts for roughly half of all greenhouse gas emissions. As the world's most profligate energy consumer, the U.S. is responsible for some 25 percent of the greenhouse problem. The industrialized countries must therefore shoulder the bulk of the burden in dramatically reducing greenhouse gas emissions in the coming decades. President Clinton's recent commitment to seek a return to 1990 emissions levels by the year 2000 and to prepare a national plan that continues the downward trend in emissions is a helpful first step for the U.S. and an important signal to other countries of the need to act.

After the United States, the former Soviet Union is the world's second largest source of greenhouse gas emissions. Compared to the U.S., moreover, the former U.S.S.R.'s economy is extremely energy-intensive. Central and Eastern Europe share this characteristic. If these nations succeed in rehabilitating their economies, their contributions to global warming will grow dramatically. For global as well as national reasons, then, these nations must focus on improving energy efficiency. Appropriately, President Clinton's aid package for Russia includes \$27 million for energy activities, including energy efficiency. AID, at the Congress's direction, has also focussed a significant share its Central and Eastern European program on energy efficiency.

Industrialized countries, however, cannot stabilize the climate alone. The developing world, historically a small contributor to the buildup of greenhouse gases, will become increasingly important as economic development proceeds among rapidly growing populations. Africa, Asia, and Latin America are expected to account for over 50 percent of greenhouse gas emissions by the middle of the next century. Deforestation and agriculture are currently the largest sources of emissions in these countries. Rapidly rising energy consumption will make energy-related emissions at least equally important in the future.

These regions also stand to suffer disproportionately from the impacts of climate change. Developing countries' economies are still largely dependent on agriculture and they possess fewer financial and technical resources to adapt to rapidly changing climatic conditions. Crowded coastal areas would be increasingly devastated by floods and storms.

In 1989, Congress directed AID to undertake a Global Warming Initiative to support efforts to reduce emissions of greenhouse gases in developing countries through activities that are consistent with local environment and development objectives. The FY90 appropriations act directed AID to identify key low- and middle-income countries that stand to contribute to global warming, to focus support for energy efficiency,

renewable energy, and forest conservation on these countries, and to provide an additional \$15 million for these activities over previous agency levels.

By 1991, AID had identified 10 key countries and regions⁶ and had met the congressional target for increased energy and forestry activity. Most of the agency's activity was in tropical forest conservation, already an AID focus as described above. Relatively few activities were launched in the key countries to support energy efficiency and renewable energy. As indicated above, of the \$131 million obligated for energy in FY91, \$77.4 million was spent on projects in Egypt and Morocco. From the balance, only India and Central and Eastern Europe received significant support for energy efficiency improvements.

Since FY91, support for energy efficiency and renewable energy in the key global warming countries has increased somewhat, largely due to the efforts of the central Office of Energy and Infrastructure. In Mexico, for example, the Office has worked with the Latin America Bureau to launch an energy efficiency program. An FY93 congressional earmark requiring 15 new renewable energy activities has helped the Office launch renewable energy projects in a number of key countries. A notable weakness, however, is Brazil. While the Latin America and the Caribbean Bureau maintains a \$27 million climate change project for Brazil and Mexico, Brazil has received no funds for energy efficiency, despite requests for additional assistance and recommendations from respected Brazilian energy and environmental experts.

3. Population

The Earth's population in 1992 grew by some 93 million people. From its current level of 5.4 billion, it could triple by the end of the next century. More than 95 percent of future growth will take place in the developing countries and could overwhelm efforts to raise livelihoods and protect the environment. While growth rates are still high, some 70 developing countries have adopted policies to limit population growth. To pursue their goals of sustainable development and limiting population growth, these nations need support to eliminate absolute poverty, improve the social and economic status of women, and increase availability of education, family planning, and health services for all citizens.

AID has been a leader in population assistance since the 1960s. Now that the Clinton Administration has reversed the disastrous Mexico City Policy that undercut international population efforts, it should work with Congress to reinvigorate AID's population efforts with increased funding, high-level political support, and closer integration with AID's environment and development efforts.

⁶ Brazil, China India, Indonesia, Mexico, Pakistan, the Philippines, Poland, Zaire, and Central America.

For FY93, Congress earmarked \$350 million for AID's population program. Population Action International has estimated that an appropriate U.S. contribution toward the goal of stabilizing population growth by the middle of the next century would be \$650-\$750 million a year today, growing to \$1.2 billion by the end of the decade.⁷ Clearly, the U.S. should be providing more family planning and other population assistance.

AID should also ensure that its population efforts are well integrated with its environmental protection and sustainable development efforts. For example, country environmental strategies should attempt to identify the links between demographics, poverty, and the environment, so that coordinated approaches can be taken, for example, where high fertility or migration is a major factor in environmental degradation.

4. Aid to the Former Soviet Union

As described above, environmental assistance to the former Soviet Union will be critical both to ensuring a safe and clean environment for the citizens of those lands and to reducing the threat of global warming. Last year's Freedom Support Act established environmental, energy, nuclear safety assistance as high priorities for U.S. assistance.

AID has made a commendable effort to develop environmental assistance for Russia and the Newly Independent States (NIS). The agency has designed a four-year, \$35 million Environmental Policy and Technology Project to strengthen environmental policies and institutions, stimulate improved private-sector environmental management and technology transfer, support NGO activities, and raise public awareness of environmental issues. AID is coordinating the project closely with the Russian Ministry of Environment and Natural Resources, the World Bank, the government of Canada, and EPA.

Properly managed, this project would put AID in a leadership role in responding to the former Soviet Union's environmental challenges. NRDC is particularly encouraged by the project's proposed funding for local NGOs. Unfortunately, internal and inter-agency disagreements have caused serious delays. Congress should urge the new AID Administrator to move quickly to resolve outstanding problems and begin obligating funds in FY94. This case highlights the need for a senior environmental officer at AID to resolve internal conflicts and for improved inter-agency coordination, both recommended below.

⁷ Sharon L. Camp, "Population: The Critical Decade," Foreign Policy, No. 90, Spring 1993, pp. 138-139.

AID's proposed energy and nuclear safety activities, on the other hand, are in need of close scrutiny. While significant funds have been allocated for these activities in FY93 -- \$27 and \$25 million respectively -- a lack of clear guidance from the new Administration has allowed them to proceed with serious strategic and technical flaws carried over from the previous administration.

The Freedom Support Act establishes a clear goal of shutting down the former Soviet Union's most dangerous nuclear reactors and identifying energy alternatives. However, AID's nuclear safety activities under the Lisbon Nuclear Power Plant Safety Initiative encourage continued operation of these very facilities (Chernobyl-type RBMKs and VVER 440-230s) by including them as potential recipients of future safety assistance. This policy should be reversed. U.S. assistance should not create incentives to continue operation of unsafe nuclear facilities. The Lisbon Initiative also fails to address nuclear risks comprehensively. It is focussed narrowly on plant operations and gives inadequate attention to the nuclear fuel cycle, waste disposal, and alternative energy sources. Poor management of the Initiative has left the technical concerns of Russian experts unaddressed and has produced poor coordination between AID, DOE, EPA, and the State Department.

AID's Energy Efficiency and Market Reform Project for Russia, meanwhile, has the potential to play an important role in replacing Russia's worst reactors with safer, more efficient energy systems. Unfortunately, the project lacks a clear mandate to do so. While many of the proposed activities under this project are aimed at improving energy efficiency, no formal connection is made to the nuclear safety initiative. The only clear connection, in fact, is a written policy that assures the U.S. nuclear industry a role in developing projects.

C. Recommendations for Reform

Congress and the Administration must work together this year to redefine AID's mission and to provide an improved structure for effective and accountable programs. NRDC recommends that this effort include the following steps:

- 1. Establish sustainable development as AID's primary, overarching objective and make sustainability a fundamental component of project and program review.**

AID's primary, overarching objective should be to promote sustainable development in its partner countries. This means supporting local efforts to end poverty, protect the environment, and build participatory democracy. NRDC was pleased that Brian Atwood suggested democracy and sustainable development as the top two goals of AID. Other objectives -- including promoting U.S. exports and solving global problems -- will be advanced by a sustainable development approach, but they should not drive the AID program.

AID should translate the overarching goals of sustainable development into its review of all programs and projects. Proposed activities should be reviewed for their environmental sustainability and for their contributions to poverty reduction, population stabilization, and public participation in economic and political decision-making.

2. Create a new, senior-level position to oversee AID's environmental efforts.

A fundamental weakness of AID's environmental program is its lack of environmental professionals in positions to exercise control over the agency's environmental portfolio. The regional bureaus are thinly staffed. The central bureaus have no formal authority over country and regional programs.

As one of his first steps, the new AID Administrator should create a new, senior-level staff position to oversee AID's environmental work. A new Deputy Administrator or Directorate for the Environment would be appropriate -- the position must be above the fray of turf conflicts between the central and regional bureaus. The position should be filled by an individual with technical environmental training and considerable experience in environment and development. He or she should have the authority and professional staff needed to review AID's environmental portfolio and to make changes in the regional and substantive balance of the portfolio as well as in individual projects.

At minimum, a timely, detailed, and objective review of AID's current environmental portfolio is critical. This subcommittee and others should discuss with the new AID Administrator the idea of creating a task force of AID officials and independent experts to conduct such a review and to identify opportunities for improvement. Among other things, such a review should attempt to identify meaningful performance indicators for individual projects in the five areas of AID's Environment Strategy as well as benchmarks for the agency's overall performance in these areas, including funding targets.

3. Increase staff levels of environmental professionals in the missions and the regional and central bureaus.

The quality of AID's environmental program depends on the professional capabilities of its direct-hire staff. These capabilities, however, are disturbingly thin throughout the agency. AID officials have had to piece together an environmental staff through contractors, secondments from other agencies, and fellowships. Most mission environmental officers are not technically trained in an environmental discipline.

This situation must be corrected in reorganizing the agency. Congress has noted the problem in recent years and has encouraged the agency to hire additional environmental and energy professionals. Little has happened. This subcommittee should seek a commitment from the new Administrator to add direct-hire environmental professionals to key missions and to the regional and central bureaus. AID should

continue to press OMB allow the agency to use existing congressional authority to use program funds to hire new environmental staff.

4. Focus on delivering assistance through national-level foundations or trust funds to local NGOs.

AID should continue its current positive trend of working more closely with NGOs. To better reach local NGOs in recipient countries and to provide them with assured long-term funding sources, AID should help establish and fund national-level foundations or trust funds. Such entities could provide an extremely wide range of environmental and sustainable development assistance, depending on national priorities and NGO capabilities and interests.

This approach should be encouraged in all regions. In Latin America and the Caribbean, AID can build on the model established under the Enterprise for the Americas Initiative. The Foundation for the Philippine Environment provides a model for the Asia region. In Africa, AID should seriously pursue its initial investigation of the feasibility for foundations and trust funds.

5. Increase support for energy efficiency and renewable energy.

As described above, AID currently provides little support for energy efficiency and renewable energy outside of Central and Eastern Europe. AID should continue to increase the budget of its central Office of Energy and Infrastructure, the only office seriously committed to providing assistance in these areas.

The new senior environmental officer recommended above should direct the regional bureaus and missions to provide increased support for energy efficiency and renewable energy. Adding staff with energy efficiency and renewable energy experience to missions and regional bureaus would be an effective strategy to stimulate additional activity.

AID should better integrate its nuclear safety and energy efficiency activities in the former Soviet Union and ensure that both are clearly focussed on the goal established in the Freedom Support Act of shutting down the region's most unsafe reactors and promoting energy alternatives.

6. Increase population funding and integrate population activities with AID's environmental and sustainable development programs.

AID should increase its population obligations in FY94 to \$650 million. The agency's reorganization should also seek to integrate better the population programs with the agency's environmental and development programs.

7. Create a Sustainable Development Advisory Panel.

Finally, AID should consider creating a public advisory panel of experts on environment and development. A Sustainable Development Advisory Panel could help monitor AID's environmental portfolio to ensure that funds are well targeted geographically and substantively, that individual projects are well designed and managed, and that agency staff employ state-of-the-art techniques and approaches. Initially, such a panel could help AID develop appropriate project and program review criteria to ensure that all activities support sustainable development, as recommended above. Such a panel could also assist a new senior environmental officer in undertaking a comprehensive review of AID's environmental portfolio, also as recommended above.

IV. STRENGTHENING OTHER BILATERAL PROGRAMS TO SUPPORT ENVIRONMENTALLY SUSTAINABLE DEVELOPMENT

The United States' bilateral environmental efforts should not be limited to AID. Domestic environmental and natural resource agencies, federally funded international development foundations, and export promotion agencies all can play valuable roles in supporting environmental protection efforts and environmentally sustainable development activities in the developing world and former Soviet bloc.

A. Domestic Environmental Agencies

Domestic environmental and natural resource agencies can play a valuable role in applying their technical and policy expertise to assist counterpart agencies overseas. In recent years, EPA has been particularly active in supporting the development of environmental regulatory capabilities in Mexico, Central and Eastern Europe, and the former Soviet Union. EPA's Global Change Division and Air and Radiation Office are also working with governmental and non-governmental technical experts around the world to develop inventories of greenhouse and ozone depleting gas emissions and action plans and pilot projects to reduce them. Other environmental and natural resource agencies active internationally include the Fish and Wildlife Service, the Forest Service, the National Oceanic and Atmospheric Administration (NOAA), and the Department of Energy, among others.

Congress should work with the Administration to craft an effective, workable, coordination mechanism for these agencies' international operations to avoid counterproductive turf conflicts and to coordinate government-to-government contact on policy and program matters. AID is a natural lead agency for such an inter-agency group and should be given the job if its new Administrator has effectively overhauled the agency's own environmental program after a reasonable period of time, say six months to one year. Alternately, the State Department in the person of Counselor Tim Wirth or the National Security Council in the person of Senior Director for Global Environmental Affairs Eileen Claussen could be assigned the role of coordinator. The AID

Administrator would be preferable, in our view, as he would bring to the job a long-term development perspective relatively free from day-to-day foreign policy concerns.

B. International Development Foundations

The federally funded international development foundations -- the Inter-American Foundation (IAF), the African Development Foundation (ADF), and Appropriate Technology International (ATI) -- are a critical and under-recognized component of the U.S. bilateral assistance program. Because of their small size and grass-roots perspective, they are often better suited than AID to work with small, in-country, non-governmental organizations on long-term sustainable development projects.

NRDC and other environment and development organization have recommended to the Administration that the foundations' budgets be increased beginning in FY94. Unfortunately, the Administration's budget request maintains funding for IAF and ADF at its FY93 levels and does not specify funding for ATI. We urge Congress to include funding increases for these organizations in its FY94 authorizing and appropriations legislation. Congress should also direct the foundations to review their charters and mission statements to ensure that all of their activities support environmentally sustainable development.

NRDC also recommends that Congress urge the Administration to examine the establishment of a new foundation specifically dedicated to supporting environmental protection and conservation efforts of developing country non-governmental organizations and small government agencies. Such a foundation would fill a critical gap in existing international environmental assistance. While AID is making greater efforts to work local NGOs, it still has a difficult time working with the wide spectrum of such organizations that exist in the developing world. In general, AID's cumbersome grant processing procedures make it difficult for small, local institutions to receive direct support. The MDBs, meanwhile, are almost incapable of providing the small amounts of funding and close monitoring and technical support these organizations need.

A new environmental foundation could support local groups in a wide range of areas, including biodiversity conservation, energy efficiency, community-based conservation and sustainable development projects, and research and advocacy on environmental law and policy. It could provide support directly to local organizations and also help establish and fund national-level foundations or trusts to guarantee a long-term source of support for local conservation efforts.

C. Export Promotion Agencies

Promising opportunities exist for the export promotion agencies -- the Commerce Department, the Overseas Private Investment Corporation (OPIC), the Export-Import Bank (EXIM), and the Trade and Development Agency (TDA) -- to help the U.S. do

well by doing good for the environment. President Clinton and Vice President Gore have argued repeatedly that environmental protection efforts in the developing countries and the former Soviet bloc open major new markets for U.S. technologies. The demand for environmental goods and services in developing countries is currently more than \$100 billion annually and will continue to grow rapidly. This subcommittee should urge Commerce, OPIC, EXIM and TDA to develop aggressive new programs to support environmental protection efforts in the developing world, Central and Eastern Europe, and the former Soviet Union.

Energy efficiency and renewable energy are particularly promising -- and critical -- opportunities. The nations of the former Soviet bloc and the developing world cannot afford to pursue conventional energy strategies. Investment requirements for electric power alone in the developing countries -- estimated at \$60-100 billion annually -- cannot be met with currently available resources. In all countries, energy production and use are major sources of air, water, and land contamination and contribute to the destruction of critical ecosystems. As noted above, the former Soviet Union is already the second largest source of greenhouse gas emissions, after the U.S. The developing world is expected to overtake the industrialized countries in greenhouse gas emissions by the middle of the next century.

NRDC and other organizations have called on the Administration to undertake a bold initiative to promote energy efficiency and renewable energy abroad. We have proposed a RENEW Initiative for environmentally superior energy development that would be a coordinated effort of the export promotion agencies, the development agencies, the Department of Energy, and EPA. This proposal is described in the attached letter to President Clinton from the U.S. Working Group on Global Energy Efficiency. Our organizations firmly believe that no greater opportunity exists to address simultaneously the momentous challenges of promoting sustainable development, protecting the global environment, and enhancing U.S. competitiveness. I urge this subcommittee to review our proposal and consider voicing your support for it to the Administration.

D. Environmental Review Procedures

All U.S. bilateral assistance and export promotion agencies should consistently ensure that their activities abroad are environmentally sound and sustainable. NRDC and other environmental organizations have recommended that the Administration undertake a review of these agencies' environmental procedures to ensure, at minimum, that the requirements of Executive Order 12114 are consistently applied.⁸ We have also

⁸ Executive Order 12114, issued by President Carter, directs all federal agencies to review the environmental impacts of their activities abroad and provides guidance on the scope of review required for various activities according to the nature and geographical extent of their impacts.

encouraged the Administration to bolster the environmental accountability of the bilateral assistance program by reversing past executive branch policy and directing federal agencies to comply with the National Environmental Policy Act (NEPA) in their activities abroad. NRDC urges this subcommittee to consider calling on the Administration to carry out these two initiatives.

V. CONCLUSION

This is a critical year for the United States to follow through on our Earth Summit commitments to assist the developing countries and the former Soviet bloc in a transition to environmentally sustainable development. A new administration also presents a unique opportunity to substantially reorient our bilateral development assistance program toward this goal. AID, in particular, is in urgent need of reform if it is to continue functioning at all. Other domestic and international priorities, however, threaten to crowd out these difficult challenges. NRDC strongly urges this subcommittee to be a vigorous advocate for prompt action to rehabilitate AID and to expand the international environmental activities of other agencies.