

ENVIRONMENT

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	1
I. INTRODUCTION.....	3
II. ENVIRONMENT AND DEVELOPMENT:	
A PROGRAM FOR THE 1990s.....	5
A. STRATEGIC OBJECTIVES	5
B. ENVIRONMENTAL CONSTRAINTS TO DEVELOPMENT	5
C. TARGETING ENVIRONMENTAL PROBLEMS	6
1. SELECTING PROBLEMS	6
2. DEVELOPING SOLUTIONS	7
D. STRATEGIC APPROACHES.....	9
E. THE ROLE OF USAID/WASHINGTON	13
F. THE ROLE OF REGIONAL BUREAUS AND MISSIONS	14
G. RESOURCE IMPLICATIONS.....	19
III. CONCLUSION	19

ENVIRONMENT

EXECUTIVE SUMMARY

Wise use of natural resources and environmental protection are fundamental to USAID's assistance program. Broad-based development, expanded participation in the benefits of economic growth, and improvements in the quality of human existence throughout the developing world and other USAID-assisted regions are inseparably linked to environmental conditions.

USAID's Environment Strategy for the 1990s reconfirms the environment as an integral component of the Agency's development assistance program and ensures that, within current and anticipated budgetary and political realities, USAID will assist nations' efforts to protect the environment. The strategy identifies the major environmental problems threatening development, establishes criteria for allocating resources to address the most critical issues and for selecting appropriate actions, and identifies priority approaches to environmentally sound development, including those unique to each bureau.

USAID has extensive experience in integrating concern for the environment with development objectives, beginning in the 1970s with formal environmental regulations. This strategy refines and updates previous environmental guidelines, including the 1988 Policy Paper on Environment and Natural Resources, the 1990 Environment Initiative and the 1992 Environment Strategic Framework. With its strong field presence and access to highly qualified expertise, USAID is well-positioned to enhance its environmental programs to meet the needs of the 1990s and beyond.

ENVIRONMENTAL CONSTRAINTS TO DEVELOPMENT

Environmental degradation is a significant and growing threat to development throughout the world, and its effects are felt most acutely by poor families in developing countries. Economic growth, as well as the potential for such growth, is endangered by a natural resource base declining in quality and quantity, while deteriorating economies exacerbate and accelerate degradation of the environment. The rapid and poorly managed growth of cities in many developing countries has led to a serious deterioration in urban environmental conditions, adversely affecting human health and the urban infrastructure necessary for efficient economic development.

USAID has identified five major environmental problems that most directly affect the developing world and the Agency's developmental objectives: 1) loss of tropical forests and other habitats crucial for biological diversity; 2) unsustainable agricultural practices; 3) environmentally unsound energy production and use; 4) urban and industrial pollution; and 5) degradation and depletion of water and coastal resources. Each of these threatens economic progress, biological and other natural resources, and the health and quality of human life. Each also has impacts well beyond national boundaries, often with global consequences.

This strategy focuses specifically on those activities designed primarily to enhance or protect the environment. However, USAID recognizes that other issues, such as rapid population

growth, also affect the environment significantly; although in complex and often indirect ways. Therefore, USAID's environment program is coordinated closely with the Agency's family planning program to ensure an integrated approach to addressing the complex relationship between population growth rates and natural resources management.

The five major problem areas listed above include the full range of serious environmental threats to development. Within this overall framework, USAID missions, supported by USAID/Washington, are developing a program targeted to specific problems where assistance will have the greatest impact. Strategic allocation of resources is a basic requirement for an effective program, because USAID simply cannot address every problem in every country it assists.

USAID, therefore, is focusing its resources on environmental problems that most constrain development and on those that, if not acted upon immediately, will likely result in significant threats to human health or irreversible damage to the natural resource base and the economy. The Agency concentrates on problems that host countries are committed to, capable of addressing and have identified as priority issues.

DEVELOPING EFFECTIVE SOLUTIONS

In its efforts to solve these problems, USAID supports activities that: 1) attack root causes of environmental degradation; 2) support local empowerment and public participation; 3) improve scientific understanding of environmental issues affecting aid-recipient countries and improve data on the natural resource base; and 4) promote cooperation with other environmental and developmental organizations.

In carrying out this strategy; USAID emphasizes three broad approaches that most effectively integrate the environment and development; strengthening human/institutional capacity and building public awareness; supporting developing country efforts to change wasteful or unsustainable economic and environmental policies and procedures; and encouraging private sector participation in promoting environmentally sound activities.

Specific approaches to environmental activities vary considerably by region given the unique ecological, political and economic characteristics of the different geographic areas. To capture this diversity, regional strategies that apply the guidelines presented above have been developed to guide Agency environmental efforts in Europe, Asia, the Near East, Latin America and the Caribbean and Africa. As problems vary, regional approaches change. For example, in Africa the program focus is on environmental problems associated with forestry/biodiversity, sustainable agriculture, and coastal zone management. Asia, while sharing some of these concerns, sees the environmental problems of rapid urban and industrial growth urban and industrial pollution and sound energy production as key constraints to sustained regional growth. No matter what the focus, however, each regional approach relies heavily on discussions of policy issues with a broad range of host country officials as a central element in strategy implementation.

ENVIRONMENT

I. INTRODUCTION

Through the U.S Agency for International Development (USAID), the U.S. government administers an economic and humanitarian assistance program that combines an American tradition of international concern and generosity with the active promotion of America's foreign policy interests. USAID helps developing and other aid-recipient nations improve the quality of life and expand the range of individual opportunities by promoting broad-based economic growth and by reducing poverty, ignorance, malnutrition and poor health. USAID's programs are designed to help countries realize their full national potential through individual initiative, the creation of jobs and income, the development of open and democratic societies, the establishment of free and dynamic markets, and the wise use of their natural resource base.

Concern for the environment and for sustainable use of resources is essential to USAID's assistance program because of the increasingly evident and close linkages between the environment, economic growth and human health and welfare. Wise management of the natural resource base is an absolute requirement of any successful development program because environmental degradation impairs economic growth and the potential for such growth, while deteriorating economies exacerbate and accelerate environmental degradation.

Natural resources are essential to the economies of nearly all developing nations. Agriculture, fisheries and forestry contribute greatly to economic production in developing countries throughout the world. Such resource-dependent industries rely simultaneously on both the use and conservation of natural resources. Similarly, sustained economic growth depends on sufficient, reliable and environmentally sound energy sources. Competing demands for resources must be balanced to achieve long-term growth. Too great an emphasis on conservation will unnecessarily impede growth, while a focus on growth alone will destroy the resources on which that growth depends.

Balance is essential, and yet current policies and practices have not yet achieved that balance. Consequently, economic, political and social inequities, as well as intensified problems of institutional capabilities and distorted incentives (and disincentives) for private sector solutions, have led to unsustainable consumption of natural resources. Indeed, many environmental problems can be traced to political or policy failures that result in the production of goods or provision of services that fail to incorporate the cost of environmental degradation and resource depletion. Such failures occur locally, nationally, regionally and globally.

The effect of policy failures on the private sector is particularly important because private enterprise serves as the primary source of financing for sustainable development through market-driven investments. Again, balance is necessary to provide investment incentives without encouraging or subsidizing industrial pollution and environmental degradation. By creating a climate that attracts critical long-term investment capital from responsible industries and entrepreneurs, developing countries have an opportunity to greatly increase available funds for environmentally sound development, well beyond the potential of publicly funded assistance programs.

While policies that encourage market solutions are clearly critical to development, inherent market failures must still be recognized and dealt with effectively, and if necessary, by

using non-market mechanisms. Past efforts to balance the needs of environment and development have often failed to account for two unique qualities of the environment that make standard market-based approaches inadequate: environmental degradation is often irreversible (e.g., species extinction), and many environmental goods and services cannot be substituted (e.g., protection from ultraviolet radiation) offered by stratospheric ozone). These qualities are often neglected in policy-making and standard economic analysis. Successful policies and programs recognize the significance of these unique factors and maximize the flexibility remaining in selecting the means of addressing environmental problems.

Rapid population growth is an important factor in loss and degradation of natural resources. World population has more than doubled since 1950, from 2.5 billion to 5.2 billion, and is expected to double again in 40 years. Ninety-six percent of the increase will be in developing countries, with urban areas growing at twice the overall rate. The explosive growth of urban populations and expansion of urban areas, coupled with limited management and administrative capability in governments, have contributed to an emerging environmental crisis in towns and cities.

Beyond the borders of cities, population growth is often an important contributing factor in the degradation of marginal lands where the supply of natural resources is insufficient to meet basic needs. Further exacerbating the problem is a decline in the rural land base suitable and available for traditional agriculture. This is, in part, the result of conversion of lands for large-scale agriculture and non-agricultural uses, and degradation of lands that once had the potential for sustained agricultural production, if appropriately managed. Environmental degradation affects all people in the developing world, but it is urban and rural poor who suffer the greatest consequences.

The relationship between population growth and environmental degradation is complex. It is affected by resource use patterns and per capita consumption, economic conditions, demographic changes, and the carrying capacity and resiliency of affected ecosystems. A balance must be found between population growth rates and available natural resources. Reducing population growth rates is a critical way of achieving the broader objective of better social, economic, environmental and health conditions of the developing world. While the future capacity of well-managed natural resources to sustain life may well be higher than is thought today, lower rates of population growth will provide more time for developing countries to find approaches to provide for their populations without degrading the natural resources upon which they depend.

Given the complexity of ecosystems, economies and their interrelationships, integrating environment and development effectively will be achieved only if based on a solid understanding of the fundamental environmental constraints to growth. Critical environmental problems cannot be solved without also addressing legitimate concerns about economic and social development. Balance between competing social, political and economic interests, the essence of broad-based development sustained over many generations, is best accomplished in open markets and democratic societies where people are able to bring about reasonable solutions through their market choices and political will.

The resurgence of democracy throughout the world bodes well for the environment. So, too, does the growing recognition among developing countries and the donor community that heavily centralized government decision-making is not a satisfactory approach to solving local problems, the nature of many environmental issues. However, complacency would be dangerous. Open markets and democratic societies are necessary to achieve environmentally

sound growth, but they are by no means sufficient.

II. ENVIRONMENT AND DEVELOPMENT: A PROGRAM FOR THE 1990s

A. Strategic Objectives

The objective of the Agency's environmental strategy is to promote environmentally sustainable development. This is accomplished by: 1) ensuring through appropriate environmental review that all USAID-funded activities are environmentally sound; 2) integrating environmental consideration throughout USAID-supported sectors and programs; and 3) supporting activities designed primarily to protect and improve environmental management and promote the wise use of natural resources. The Agency uses these three means in all regions to: 1) build an awareness at key levels in USAID-assisted countries of the critical linkage between environmental protection and economic and social development; 2) assist developing countries in improving the management of their natural resources for sustained economic growth and social equity while conserving their environment; and 3) help developing countries contribute to resolving key local, regional and global environmental problems while they work to meet their own development objectives.

B. Environmental Constraints to Development

15 years has demonstrated that the environmental problems challenging the developing world and most directly affecting USAID's developmental goals fall into five major categories:

- *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.*

These problems threaten the economic progress of developing countries, deplete biological and other natural resources, diminish health and the quality of human life, and have impacts well beyond national boundaries, often with global consequences.

USAID is well-qualified and well-positioned to help developing countries address these problems. The Agency has extensive experience with integrating environment and development, beginning in 1976 when USAID adopted formal environmental regulations. USAID also has a strong field presence throughout the developing world and access to highly qualified expertise within the Agency and through a comprehensive range of consultants.

While this strategy builds on these strengths and prepares USAID for the future, it is based on and developed in the context of the Agency's long-standing concern for the environment in its assistance program. The strategy refines and updates previous environmental guidelines, including the 1988 Policy Paper on Environment and Natural Resources, the 1990 Environment Initiative (which contains a detailed history of USAID's environmental work over the last two decades) and the 1992 Environmental Strategic Framework.

C. Targeting Environmental Problems

No single donor can effectively address, in every country, the broad range of environmental issues encompassed within the five major categories of environmental threats. Focus is essential. USAID, therefore, is concentrating its resources on priority areas in each geographic region, emphasizing those problems relevant to its mandate.

In selecting problems and developing solutions, USAID missions are responsible for making program choices based on the criteria described below and for justifying their choices against the criteria. The regional bureau role is to monitor and concur with mission selections to ensure the bureau is conforming to stated priorities. The directorates for Policy and Finance and Administration, through review of resource allocations and evaluation of strategy activities and project results, ensure that regional bureaus are fulfilling this function.

The following criteria provide the basis for making strategic choices to maximize the effectiveness of USAID's environment program.

1. Selecting Problems

Because of competing priorities, objective criteria need to be applied to ensure emphasis on environmental problems where USAID assistance will most likely have a significant impact. In selecting these areas of concentration, USAID will:

- 1) Focus on environmental problems that are significant constraints to long-term development at the country level.*

USAID will focus on environmental issues that significantly constrain development at the country level through adverse effects on ecological systems and on the quality of human life. Within the context of these critical national problems, USAID will emphasize local environmental problems that have transnational, regional or global implications and where coordinated country actions have the potential for significant impact on global problems that will affect developing countries (e.g., tropical deforestation).

- 2) Emphasize the most urgent environmental problems that require immediate corrective action.*

USAID will focus on environmental problems where failure to take immediate action will likely result in serious threats to human health or irreversible damage to the natural resource base and the economy.

- 3) Concentrate resources on problems that host countries themselves have identified as priorities, and are capable of and committed to addressing.*

USAID will work closely with developing countries to address those issues most relevant to the needs of the host country. USAID will work with governments at the local, national and regional levels, and, where practical, will work directly with the non-governmental organization community and the indigenous private sector. For those countries without the institutional capacities necessary to identify the most critical constraints, USAID will focus resources on helping the host country develop the necessary capabilities.

All three criteria are fundamental to selecting issues to be addressed by USAID.

2. Developing Solutions

Well-established, as well as innovative, solutions are available to effect change in focus areas. In determining which set of solutions to apply, USAID will emphasize activities that first and foremost attack the root causes of environmental degradation, stressing the prevention of problems.

The political, social, institutional and cultural causes of environmental degradation are difficult to address in isolation. An integrated approach and long-term perspective are critical to any effort to address environmental constraints. By country and region, USAID will work toward promoting an understanding of the fundamental, underlying factors that result in environmental degradation.

Solutions to fundamental environmental problems must often be undertaken in a logical sequence to reflect the chain of cause and effect. For example, tax incentives that, in effect, encourage deforestation may be an appropriate target of USAID policy discussions with country officials, before the Agency makes large-scale investments in reforestation. Likewise, improving tariff policies to encourage prudent use of potable water in cities would be considered before initiating costly measures to increase urban water supplies. Missions are responsible for giving careful attention to the appropriate and logical sequence for attacking root causes, when cause and effect can be reasonably distinguished.

In addition, USAID will:

- 1) *Support local empowerment and public participation.*

Providing local people with access to resources, education and information necessary to influence environmental issues that affect them is an essential step toward sustainable management of natural resources. These resources are often threatened because the responsibility for their management has been removed from the people who live closest to them, and instead has been transferred to governments, often in distant capitals, with little experience or incentive to manage these resources effectively. The current inequitable patterns of land control and access to natural resources are key issues. Addressing these issues requires greater public participation and more effective cooperation between institutions responsible for resource use and those involved in protection, rehabilitation and planning for sustainable development.

Particularly important to successful development is the involvement of local stakeholders in project planning, implementation, benefit distribution, monitoring and evaluation. USAID actively supports local participation, including indigenous communities, non-governmental organizations (NGOs) and the private sector in all phases of its development and environmental activities. Involving these groups in the discussions, required as part of the environmental assessment process, is an important means of ensuring their participation in decision-making. Given that women constitute 60 percent to 90 percent of the subsistence agricultural labor force and already act as effective stewards of natural resources in many cases, USAID will continue to help strengthen the role of women in resource decision-making.

Although working with decentralized local governments and directly with local non-governmental organizations often entails high costs in management and staff line, USAID will follow this approach to the extent practical. Where possible, the Agency will provide assistance

to mobilize community participation without drawing intensively on USAID resources, through the use of demonstration sites and appropriate and well-targeted training.

- 2) *Improve and augment data on the host country resource base and on effective and sustainable technical interventions.*

Although the Agency's goal is environmentally sustainable development, available knowledge on sustainable techniques and practices in many developing countries is limited. For example, except in very few instances, tropical timber extraction has not been achieved on a sustainable basis, yet this is an important goal in managing this critical resource. The abundance and distribution of natural resources are poorly documented in most countries. USAID programs should play a leading role in strengthening the knowledge base of environmental problems and solutions in developing countries, reflecting current scientific thought and host country empirical experience.

- 3) *Promote cooperation and collaboration with other environmental and developmental organizations.*

Building on its history of leadership in this area, USAID will continue to emphasize coordination among donors, other U.S. government agencies, the private sector and local, national and international NGOs. Coordination will help avoid duplication of effort and will help donor countries to focus on areas of their respective strength. Non-governmental organizations often provide useful communication links between USAID, host country governments and local communities. NGOs assist the Agency in delivering services and training local groups and play a significant role in influencing community and national decision-makers.

- 4) *Address region-wide issues, where appropriate.*

Many environmental problems transcend national boundaries and have regional or global effects (e.g., climate change, acid rain and pollution of international waters). In addition, many local environmental problems and constraints to development, such as loss of biological diversity or deteriorating urban environments, have global impacts through the cumulative effects of degradation in many different countries. USAID will address these local problems with global impacts, to the extent possible, through regional cooperation.

Improved communication and cooperation among USAID missions within a region are necessary to develop coordinated efforts to address transboundary and regional environmental problems especially among countries sharing common borders. Where appropriate USAID will focus on national development issues that may affect other countries where prospects are good for transnational cooperation and where such cooperation will help advance national objectives. Missions are encouraged to focus on transboundary and regional issues where such issues are first and foremost a major constraint to development within the host country and where the issues fall within the bureau's focus. Where such coordination makes good programmatic sense, it should be appropriately institutionalized through formal arrangements between missions.

D. Strategic Approaches

The success of an environment strategy rests on the approaches used to achieve stated objectives. In carrying out this strategy, USAID will concentrate on the three broad categories of activities that most effectively address development issues: 1) strengthening human/institutional capacity and building public awareness; 2) changing unsustainable economic and environmental policies and procedures (e.g., through policy dialogue); and 3) encouraging private sector participation in promoting environmentally sound development activities. Because the constraints in any given country are usually interrelated, Agency activities in the chosen focus areas will generally be most effective by combining these various approaches.

1) Strengthen Human and Institutional Capacity/Build Public Awareness

Important development decisions to build a road or a dam, to adopt a new export policy or a tax incentive for cattle raising, or set the price of gasoline, or to revise tariffs for water or electric use often have significant environmental implications. In many cases, however, developing countries lack the human and institutional capacity to assess the environmental effects of their planning decisions. In some cases, developing countries lack the professional expertise to analyze problems adequately or develop alternatives to unsound practices and policies. Exacerbating the problem are weak enforcement of laws and regulations and a lack of coordination among government agencies responsible for environmental protection and resource management.

USAID will help build human and institutional capacity in both public and private institutions in developing countries through a combination of training, technical assistance and public awareness programs. The two principal targets are: 1) individuals or groups who, with better technical, managerial and analytical skills, will participate more effectively in decision-making and management of the environment; and 2) the general public, which through increased awareness about the linkages between environment and development, will better appreciate the consequences of environmental mismanagement and the range of options for action.

Reaching the first target audience will require a substantial increase in training programs, both in-country and elsewhere, as well as increases in advisory services from contractors, non-governmental organization, the university community and other federal agencies. USAID will emphasize strengthening the capacity of NGOs and, where practical, community-based organizations in their efforts to improve management of local natural resources.

Reaching the second target audience will require successful public outreach techniques, such as those used in USAID's population program, as well as efforts by community-based non-governmental organizations. The involvement of indigenous NGOs often helps to place environmental issues in a local development context. It also facilitates efforts to improve communication between local communities and government officials and their ministries.

As a component of this program, USAID will actively encourage and support host country efforts to establish country environmental implementation plans. These broad-based plans provide a means for local and national policy planners and decision-makers to identify and prioritize the most critical environmental problems and appropriate actions. This process strengthens the capacity of host country governments to plan and more effectively manage the use of their natural resources. As a partner in analyzing the issues and developing appropriate solutions, the country becomes a stakeholder in ensuring the success of environmental programs. USAID will work actively with appropriate host country institutions and other donors to develop such plans. Broad public participation in formulating the action plan is fundamental to its

success.

Institutional strengthening is important within USAID as well. Agency staff, particularly decision-makers in the field, will be more fully informed through appropriate training about environmental issues so that they can knowledgeably engage host country individuals and others in discussing the relationship between the environment and development. Where appropriate, agreement between missions to coordinate programs on transboundary environmental issues will strengthen the Agency's ability to address region-wide environmental constraints to development.

Institutional strengthening within USAID also means ensuring that the Agency's environmental procedures are rigorously implemented and enforced. To be an effective planning and design tool for creating better developmental activities, environmental review (initial environmental examination, and if warranted, and environmental assessment) needs to be conducted early in project development. Involving host country agencies and interested and affected parties is an important means of institutionalizing the environmental review process. USAID's capacity building efforts in this area will include helping host countries develop, carry out and monitor environmental assessments of proposed development activities.

While USAID has made significant progress over the past two decades, more can be done to ensure the environmental soundness of all Agency activities. Therefore, each regional strategy includes a specific plan of action to strengthen implementation and enforcement of the Agency's environmental regulations.

2) *Reforming Unsustainable Economic and Environmental Policies and Procedures (Policy Dialogue)*

Strengthening human and institutional capacity for managing the environment is a necessary first step toward formulating, adopting and enforcing effective environmental and economic policies and regulations. Policy dialogue extends and reinforces these efforts.

Unsound economic and environment/natural resource policies, and ineffective environmental laws and regulations, are among the major causes of environmental degradation in developing countries. The principal economic problem is the failure of markets and lack of appropriate accounting methods to price natural resources properly to include the full environmental costs of resource use, depletion and degradation. Equally important, ill-advised subsidies and tax policies lead to inefficiency and environmentally harmful land and resource use. Finally, insecure and inequitable resource tenure on both public and private lands often causes impoverishment of rural people. In the absence of secure and equitable resource tenure, there is little incentive for conservation, and this often leads to unsustainable resource exploitation.

Through years of experience, USAID recognizes that policy reform is one of the most important and critical components of its development objectives, despite the complexity of the problems and the long-term commitment necessary to effect lasting change. USAID also recognizes that success in the policy arena depends on both developing and enforcing self-meaning policies and regulations. The best policies have little significance in the absence of effective application. USAID recognizes as well that there are real resource costs to policy changes and other methods of achieving environmental objectives, and that practical effects of policy changes cannot always be clearly predicted. Therefore, research and analysis of these changes are necessary components of policy reform.

The objective of USAID's policy dialogue efforts is to encourage practices that maintain

and, if possible, enhance stocks of renewable natural resources. USAID will emphasize activities to: a) improve host country capacity to conduct environmental impact assessments and economic analyses; b) identify and advocate change of those policies, laws and regulations that lead to environmental degradation and natural resource depletion; c) develop policies with incentives for environmentally sound production; and d) work toward securing tenure to natural resources and the benefits of their use for the less privileged.

3) *Encouraging Private Sector Participation in Promoting Environmentally Sound Development Activities*

Private sector participation and cooperation with government efforts are critical to stimulate and sustain environmentally sound economic growth. Private enterprise is the primary force of growth in market-oriented economies and is the major player in creating the resources needed to protect the environment. The private sector is the primary means through which "clean" technology and associated skills and information are transferred. It is also an important provider of environmental management information to the public sector.

While strengthening environmentally responsible businesses is an important objective, some caution is advised. This approach must be based on the realistic assessment that many current business practices are not environmentally sound, and often contribute to resource degradation. Nevertheless, in a stable environment of appropriate incentives, policies and regulations, the private sector can be an active force in solving environmental problems and producing environmentally sound products and services. USAID will, therefore, promote public/private sector cooperation on environmental issues, in the context of the caveat mentioned above. This includes activities that seek to link trade, private investment and economic development for the mutual benefit of developing nations and the United States.

To promote private sector solutions to environmental constraints, missions will:

a) Encourage policy reform to provide market incentives that will improve the trade and investment climate for environmentally beneficial services, systems and technologies, including those relating to energy production, distribution and use. Environmentally unsound practices also are economically unsound in the absence (?) of price or other market distortions. The private sector would respond appropriately if prices reflect the cost of resource use and degradation.

b) Identify and develop business opportunities that are both environmentally sound and commercially and economically viable. Private industry, local communities, NGOs and the private banking sector should be involved in developing these opportunities.

c) Encourage technology transfer and assistance through increased trade and investment by U.S. businesses involved with environmental problems and emphasize the transfer of clean technologies. U.S. firms are often leaders in environmentally beneficial, resource-conserving technologies and could help develop skills in pollution prevention and control, recycling, renewable energy, energy efficiency and food production. USAID should be a catalyst in working with U.S. private industry to transfer relevant environmental and energy technologies. The Agency also can help developing country businesses select, adapt and use these technologies to meet special circumstances and markets. USAID will support research and development that

encourages the involvement of the private sector in developing approaches to non-timber forest products, ecotourism, extractive reserves and sustainable natural forest management.

d) Collaborate on innovative financing of environmental projects with NGOs and the private banking sector. Such mechanisms include debt for equity swaps, environmental bonds or trust funds. Since the record has been somewhat mixed regarding the local distribution of benefits from past debt-for-equity swaps carried out by other organizations, USAID will pursue these and other creative financing mechanisms with great care to ensure the full participation and informed consent of occupants and users of the land (or other resources) to be swapped.

The Agency strongly supports private sector solutions that involve participation of local communities, enabling them to participate in a project's environmental and economic benefits. Benefits accruing to the surrounding communities from the wise use of the natural resources provide powerful incentives for conservation. Problems of deforestation and loss of biodiversity, for example, cannot be resolved simply by putting fences around areas and declaring them reserves. Efforts and interest in maintaining natural resources are best served by providing appropriate economic incentives to local communities. When natural resources have a fair market value, the market can provide a powerful economic incentive to conserve resources.

Market forces are not a simple cure for environmental problems, however, because danger lies in market failure. Some environmental goods and services cannot be held privately: the ozone layer is a good example. When an environmental good or service is "open access," it often has zero price. (Even with zero price, an open access environmental good or service may be considered quite valuable by its users—grazing land, for example—but there is no market mechanism available to measure that value.) This can lead to waste and eventual depletion of the resource because the resource may not be sufficiently abundant to keep up with demand. Demand may keep growing, but it is not regulated by an increase in price to reflect a scarcity: (In addition, in the absence of proper resource tenure, no individual or community has an incentive to maintain the resource).

The bottom line is that market forces are essential to conservation, but when they fail, they can cause serious and large-scale environmental problems. In such cases, government regulations or other interventions to assign property rights may be required. These realities will be taken into account in USAID's encouragement of private sector support for the environment.

To ensure that the Agency's strategy is having the desired effect, and to evaluate the effectiveness of the various approaches to sustainable development as described above, environmental activities will incorporate indicators of success against which progress can be measured. While USAID will focus on those environmental problems that have both national importance and global implications, indicators will likely be most useful in measuring effectiveness at the local or national levels.

E. The Role of USAID/Washington

A decentralized approach to program selection builds on USAID's strengths, particularly its experienced field staff with knowledge of host-country problems and cultural/political sensitivities. To provide overall program coordination, the directorates for Policy and Finance and Administration will monitor decentralized activities to help ensure consistency between proposed bureau budgets, bureau strategies and Agency priorities. Such monitoring improves

Agency-wide program coherence, particularly on global environmental issues, and the development of an effective environmental program that is manageable within the Agency's limited financial and technical resources.

In addition, when geographic bureaus and their missions request assistance, operational central bureaus in Washington, such as the bureaus for Private Enterprise, Research and Development, and Food and Humanitarian Assistance, provide support to enhance the effectiveness of field operations in carrying out regional strategies.

The Research and Development Bureau (R&D) provides technical support to geographic bureaus, including assistance in the design, implementation, monitoring and evaluation of mission projects and programs. R&D technical assistance will be an important element in the effectiveness of bureau environment strategies. R&D also provides overall coordination of research and development and synthesis of experience in environmentally sound practices in the five areas of emphasis. This is particularly true in the following:

Addressing transnational or global environmental problems:

In the case of environmental problems that cross national boundaries, (e.g., urban/industrial pollution affecting two countries), or where environmental problems affect the entire globe (e.g., loss of biodiversity), a coordinated response is essential. In these circumstances, R&D will play an active role, inclose cooperation with regional bureaus, to support bureau activities and mission coordination within and between regions.

In the area of climate change, for example, USAID has an important role in working with developing countries to evolve strategies appropriate to the country's development objectives that also will contribute to mitigating global climate change. In addition, R&D, along with the Policy Directorate, is actively involved with the Department of State in establishing coordinated international responses to climate change, and loss of biodiversity and tropical forests, through international agreements and conventions.

Developing broad-based research, synthesis and training in the areas of emphasis:

Economy of scale can often best be achieved by centralized planning and coordination of: 1) critical research and development on environmentally sustainable practices in the five areas of emphasis; 2) synthesis of regional and interregional experience in these areas; 3) training and technical assistance on sustainable practices, technologies and analyses (e.g., environmental economic analysis). Central bureau technical experts also maintain contact with other institutions working in the areas of emphasis and, together with the regional bureaus, determine how relevant research findings should be synthesized and distributed. Additionally, centralized training of host country personnel in Agency-sponsored courses provides for sharing of knowledge and experience.

The Private Enterprise Bureau (PRE), through its Office of Housing and Urban Programs, supports mission efforts to help developing countries meet the growing challenges associated with the rapid growth of their urban areas. PRE focuses on helping developing countries meet the needs of low-income urban families, largely by helping governments assume an "enabling" role and relying primarily on the private sector to deliver urban services and to produce affordable shelter. In terms of environmental issues, PRE supports regional bureau needs in the following key ares:

1) Local Government enhancing the capabilities of officials responsible for managing municipal governments.

2) The Urban Environment helping to find affordable, practical approaches to dealing with the health and economic implications of degraded environmental conditions in cities, and improving policies and practices to reduce such problems in the future.

3) Shelter, Land and Infrastructure supporting developing country governments in establishing suitable policies to improve the operation of financial markets, produce appropriate development standards, increase cost recovery, and allow land markets to operate efficiently to ensure that the growth of cities takes place on an environmentally sound basis.

The Bureau for Food and Humanitarian Assistance (FHA), through its Office of U.S. Foreign Disaster Assistance, focuses its environmental activities on the prevention and mitigation of acute-onset technological disasters. USAID has long recognized the environmental problems brought about by the rapid increase of industrial production and urbanization in developing countries. The history of industrial accidents illustrates a trend that, if unabated, has the potential to undermine years of development and produce long-lasting environmental effects.

FHA supports efforts, based on regional bureau needs, to improve the capabilities of local authorities and corporate managers to prevent or mitigate technological disasters in specific high-risk areas. FHA also supports activities in countries particularly vulnerable to natural disasters, helping those countries improve their disaster-response efforts by establishing well-defined indigenous mitigation and preparedness systems.

F. The Role of Regional Bureaus and Missions

USAID has five regional bureaus (Africa, Asia, Europe, Latin America and the Caribbean, and the Near East) with field missions and offices in more than 100 countries, including an expanding presence in the New Independent States (NIS) of the former Soviet Union. (Because USAID's program in the New Independent States has only recently started, NIS environmental activities are at an earlier stage of development than the regional bureau programs). This extensive field experience, unique among donors, greatly facilitates access to key decision-makers in government and private sector organizations. The presence of USAID staff in the field also improves the ability to adapt technology to meet the requirements of local people and provides an opportunity for effective policy discussions. USAID field missions employ foreign service nationals with knowledge about the country, experience in dealing with officials of their government and local organizations, and insights into how the economy and society function.

The invaluable experience gained from the field shapes the Agency's actions worldwide. This experience is reflected in the regional bureau strategies, which build on the common guidelines, criteria and strategic approaches described above. Following are brief descriptions of the regional strategies.

AFRICA

The Plan for Supporting Natural Resources Management in Sub-Saharan Africa guides USAID efforts to improve natural resources management in Africa by making natural resources management an important component of the Agency's overall development strategy for Africa and by establishing priorities for the best use of limited resources. The plan also focuses Africa Bureau programming on two critical problem areas: Unsustainable agricultural practices and loss of tropical forests and other critical habitats for biological diversity.

This focus includes technical priorities of vegetation loss or degradation, soil erosion and fertility decline, declines in biological diversity, and integrated pest management all areas in which the United States has a comparative advantage. The sub-regions targeted are arid and semi-arid tropics, tropical highlands, the country of Madagascar and the humid tropical forest of the Congo Basin.

To establish priorities for integrating natural resource considerations into mission programs, the plan divides African countries into priority groups. These are the same groups used by the Africa Bureau to focus and prioritize country programs under the Development Fund for Africa. In Category I countries where natural resource management is emphasized, the missions will have comprehensive natural resources programs. The second priority, Category II, countries have more limited natural resources programs concentrating on one or more technical priorities. Category III countries generally have small humanitarian and/or political programs and will not undertake bilateral natural resources management programs. However, there may be regionally supported analytical or training activities in these countries working through private voluntary organizations and non-governmental organizations to address important natural resources management issues.

ASIA

The countries and territories of the Asia region represent a broad diversity of biogeographical features and land-use patterns. More than half of the world's 5 billion people live in Asia, and 35 percent are under the age of 15. In the next 35 years, another 1.7 billion people will be added to this most densely crowded region of the world.

The region also has experience relatively high economic growth over the past two decades. This economic growth and population expansion have led to urban and industrial pollution and destruction and degradation of the region's renewable natural resources. These problems are projected to increase in the future as demands for natural resources continue to increase and as pressures on natural ecosystems intensify.

To tackle the key environmental problems of the region, the Asia Bureau has identified four priority areas for the 1990s: 1) loss of tropical forests and biological diversity; 2) urban and industrial pollution; 3) degradation and mismanagement of water and coastal resources; and 4) energy shortages, inefficiencies, and environmental impacts of energy development. Each mission has selected a subset of these four problem areas to address on a country basis and is already active in at least one of these areas.

While mission programs address problems on a country-specific basis, the recently announced presidential initiative, the United States-Asia Environmental Partnership (US-AEP), provides a unique regional approach. This initiative, coordinated by the Asia Bureau, is an unprecedented coalition of American and Asian business, governments and community groups working together to enhance Asia's environment and promote economic progress. The US-AEP

reinforces the Asia Bureau's environmental priorities and regional needs through four components: fellowships and training; technology cooperation; environment and energy infrastructure; and a regional biodiversity conservation network.

Through mission and bureau programs and the US-AEP, the Asia Bureau works to solve these problems by using the Agency's three strategic approaches: 1) policy reform; 2) institution building and public awareness; and 3) private sector participation.

The Asia Bureau will continue to increase environmental awareness of its staff at all levels. In addition, the bureau will continue to assure the soundness of all its projects and programs through rigorous implementation of the Agency Environmental Procedures (22CFR 216) with the ultimate objective of enabling Asian countries to assume responsibility for all aspects of their environmental management.

EUROPE

The countries of Central and Eastern Europe (CEE) are suffering the effects of the worst pollution in the world. Effects include increased respiratory diseases and mental retardation, shortened life spans, rivers too polluted for drinking or even industrial use (50 percent of Poland's rivers) and the degradation of conservation area. It is estimated that the costs of environmental degradation are between 7 percent and 15 percent of individual countries gross domestic product and that it will cost hundreds of millions of dollars over the next 20 years to clean up past pollution.

As Central and Eastern Europe undertakes programs necessary to transform centrally planned, non-competitive economics into market-based economies, environmental issues must be addressed. USAID environmental objectives in the region are to strengthen the capacity of CEE to improve environmental conditions in a market economy and to correct the root causes of environmental degradation. These causes are: 1) policy and price distortions; 2) state monopolies and lack of a private sector; 3) institutional weakness; 4) lack of information about environmental conditions; and 5) lack of public participation in environmental management.

Program priorities in order of importance are to reduce immediate threats to human health and support economic restructuring, and to protect the remaining important conservation areas. USAID will concentrate on two major areas in the region; improving energy efficiency and reducing urban and industrial pollution. Conservation will receive limited support.

To promote energy efficiency, USAID will provide assistance to: 1) rationalize and decontrol energy prices, which will promote energy conservation; 2) restructure, improve efficiency and privatize the energy sector, which will lead to reduced air pollution; 3) stimulate U.S. and foreign investment, joint ventures and technology transfer, which can supply more efficient technology; 4) reduce environmental pollution and improve safety at nuclear power plants; and 5) encourage regional cooperation and integration with Western Europe and international energy markets, which can reduce the overall near-term demand for energy production.

The strategy for reducing urban and industrial pollution is to: 1) promote policy and price reform, including efforts to rationalize and decontrol prices for natural resources, promote economic policy, legal and regulatory reforms, and remove environmental barriers to private investment and privatization; 2) strengthen environmental institutions by developing environmental action plans, improving the efficiency of public sector investments, adopting management tools such as risk assessments and environmental impact assessments; 3) encourage

privatization and adoption by the private sector of efficient and environmentally sound technology through U.S. investments and joint ventures; and 4) increase public participation in government decision-making.

LATIN AMERICA AND THE CARIBBEAN

The Bureau of Latin America and the Caribbean (LAC) environmental strategy is developed from the premise that broad-based and sustainable economic growth, expanded participation in the benefits of this growth and improvements in the quality of human existence throughout the region are inseparably linked to environmental conditions.

LAC Bureau actions will be guided by the following cross-cutting, strategic principles: 1) attack root causes underlying environmental degradation, stressing prevention of problems; 2) integrate environmental considerations broadly into USAID-supported sectors and programs; 3) promote economic and environmental policies for sustainable development; 4) strengthen institutions, including non-government organizations and government agencies for resource management; 5) strengthen education and training in all areas of environmental management; 6) build participation and empowerment of the public in environmental initiatives; 7) strengthen the role of the private sector in environmental management and prevention of resource degradation; 8) promote research, information exchange and appropriate technology transfer for sustainable development and environmental management; 9) strengthen implementation of Agency environmental procedures; and 10) promote donor collaboration and coordination for sustainable development and environmental management.

The LAC Bureau will work in all five environmental problem areas to some extent. However, LAC resources will be principally focused on the following; conservation of tropical forests and other critical habitats for biological diversity; sustainable agriculture; and improved management and protection of water and coastal resources. The bureau also will be engaged in the other two areas, promotion of environmentally sound energy production and use and reduction of urban and industrial pollution, on a more limited basis where these problems are particularly significant constraints to development. Individual missions are expected to focus on three or fewer of the five priority environmental problem area, applying the cross-cutting principles in each problem area chosen. Determining the mix of priorities will be principally the responsibility of the mission.

Selection of areas of focus is based on the determination by the mission and the host country that the areas selected for strategic action; attack those environmental problems that are the most significant constraints to economic development or pose significant threats to human health and well-being; address problems where lack of action will result in irretrievable losses (e.g. biodiversity); and focus resources on areas identified as priorities by the host country and that it is capable of and committed to addressing.

While concentrating environmental resources in this manner, the LAC Bureau is equally committed to ensuring that environmental considerations are broadly and fully integrated into Agency-supported sectors and programs. The bureau will continue to assure the environmental soundness of its entire program and actively incorporate environmental considerations into its development goals. Particular attention will be placed on increasing environmental awareness both within the bureau as well as throughout the countries in the LAC region.

The objectives of the LAC Bureau's environmental activities extend far beyond immediate environmental and natural resources concerns. The ultimate goal is sustained, broadly

based economic growth that will improve the quality of human existence while preserving resources and options for future generations throughout the region.

NEAR EAST

The Near East Bureau's Environment and Natural Resources Strategy, developed according to guidelines set forth in the Agency's Environmental Strategy Framework, reflects existing programs and the current environmental and natural resource issues facing the Near East Region.

The most critical environmental challenges facing this arid region are associated with water resources. The region is plagued by water shortages and deficits, while the degradation of water quality increases at an alarming rate further exacerbating the problem of water availability. Water, as well as other natural resources, is being used in an increasingly unsustainable manner because of unrestrained urban and industrial growth; a poor appreciation of conservation and environmental protection; and inadequacies in technical and regulatory infrastructure to protect and manage these resources.

The population growth rate through this region is among the highest in the world, resulting in rapid degradation of limited and fragile water and arable land resources. Climate, access to limited water and arable land, proximity to trading routes and access to existing infrastructure has resulted in urban populations being clustered along the Mediterranean shores and major rivers throughout the region.

Because of the transnational nature of water resources in the region, many of the water issues are the cause, and continuation of, geopolitical instability. Prospects for lasting regional peace depend heavily on resolving transnational water issues issues that for some countries threaten their future existence.

The region has reached a critical crossroads in its history, and individual countries are beginning to recognize the strong relationship between sound environmental and natural resources management and economic development. This recognition of the importance of sound environmental management is beginning to surface in the form of a proliferation of individual country environmental strategies such as those evolving in Egypt, Jordan and Morocco.

This growing awareness provides an excellent opportunity for the Near East Bureau to respond to the challenge of developing and carrying out a comprehensive strategy for supporting the economic growth of the Near East countries. the opportunity is in promoting sustainable economic growth of the Near East countries. The opportunity is in promoting sustainable economic growth by sound economic management of natural resources and the environment through more efficient production and use of natural resources.

The treatment of transnational issues in the Near East may involve countries assisted by other regional bureaus and/or countries that do not receive USAID assistance. This situation complicates the development of effective regional activities. For this reason, the Near East Bureau will explore opportunities to cooperate with other international donors and NGOs in order to broaden the opportunities for regional approaches and to strengthen the effectiveness of such approaches.

The Near East Bureau has identified four of the Agency's five critical environmental areas as major constraints to development in the region. These constraints and their priority for the Near East region are: 1) degradation and depletion of water resources; 2) urban and industrial pollution; 3) environmentally unsound energy production and use; and 4) unsustainable

agricultural practices.

G. Resource Implications

The choices and priorities presented in regional strategies will be clearly reflected in mission and bureau budget allocations. The level of resources committed should reflect the high priority accorded the environment in USAID's program. All funding sources should be considered, including Economic Support Funds. Annual budget reviews will provide an opportunity for bureaus to show demonstrate that stated environmental goals correspond to budget priorities.

III. CONCLUSION

Development can only occur if the natural resource base on which it depends is carefully managed. In recognition of this critical linkage between environment and development. USAID's environmental strategy is to integrate environmental concerns into all of the Agency's developmental activities and to take direct actions to work with host countries to protect and better manage their environment. Putting this strategy into action will help USAID achieve its primary objectives through coordinated regional approaches to the critical environmental constraints to development.