

## ADB's Environmental Safeguards

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- The "one size fits all" approach is not effective. It fails to add value in many cases.
- There is an overemphasis on procedural compliance. Not enough attention is paid to results delivery.
- There is a perverse incentive for ADB lending decisions to be actively directed to avoid financing projects that might trigger environmental procedures.
- Environmental safeguards and environmental enhancement are two sides of the same coin. One should not be overemphasized at the expense of the other.
- Mainstreaming may have inadvertently reduced the visibility of environmental issues within ADB activities.
- The quality of environmental assessments was found to be inconsistent and often did not reflect current international good practice.

### Five Elements of the Policy on the Environment

Policy Element	Operational Content
1. Environment Interventions for Poverty Reduction	a. Protection, Conservation, and Sustainable Use of Natural Resources b. Environment Quality Improvement c. Reducing Vulnerability to Natural Hazards and Preventing Disasters
2. Mainstreaming Environmental Considerations in Economic Growth	a. Policy Integration b. Integrated Economic and Environment Development Planning c. Strengthening Regulatory Systems and Environmental Governance d. Market-Based Instruments and Other Policy Instruments e. Promoting Education and Public Awareness
3. Maintaining Global and Regional Life Support Systems	a. Responding to Multilateral Environmental Agreements b. Supporting Regional and Subregional Cooperation on Environment
4. Building Partnerships	a. Developing Partnerships with Other International Financing and Development Institutions b. Increasing Harmonization of Environment Policies and Processes
5. Integrating Environmental Considerations into ADB Operations	a. Country Strategy and Program b. Lending Operations c. Public Consultation and Information Disclosure d. Implementation, and Monitoring and Evaluation e. Environmentally Responsible Procurement f. Performance-Based Allocation of Asian Development Fund Resources

### Background

The Asian Development Bank (ADB) has safeguard policies on: (i) **involuntary resettlement** (1995), (ii) **indigenous peoples** (1998), and (iii) the **environment** (2002). The policies have guided formulation and implementation of ADB's assistance programs, particularly its lending activities.

The evolving developmental context in which ADB operates and the experience accumulated warrant regular reviews of the policies. ADB has embarked on an update to enhance their effectiveness and ensure their relevance to changing client needs and new lending modalities and instruments. In 2006, the Operations Evaluation Department undertook a **Special Evaluation Study on Environmental Safeguards**.<sup>1</sup>

## Summary of Findings

ADB's Environment Policy was found to be relevant to ADB's activities and the needs of its developing member countries (DMCs). There is evidence that ADB's involvement in projects sometimes added value in terms of improving environmental performance at the project level. However, such value addition varied markedly from country to country, from project to project, and in different aspects of environmental assessment. There is also evidence that the policy provided impetus to improvement of the environmental safeguards toward greater clarity, more emphasis on assessment of project alternatives, and improved monitoring, notwithstanding weaknesses in all these areas. On the whole, the environmental safeguard procedures governed by ADB's **Operations Manual** were deemed to have been effective in avoiding significant adverse environmental impacts from ADB's programs and projects.

However, the efficiency and sustainability of the safeguard procedures are questionable due to high transaction costs and limited benefits. The main cause of this is the uniform application of a single set of procedures to all DMCs, which is no longer an effective response to the needs of DMCs or the growing resource constraints faced by ADB. There would be merit in revising the policy and safeguard procedures to address the changing situation in DMCs. This would likely be focused on the necessity for greater flexibility in procedures, recognition of the need for alignment with national systems, a shift to an emphasis on capacity building rather than on projects, and a change in emphasis from procedural compliance to results delivery and cost effectiveness.

## Recommendations

The principles and objectives of ADB's Environment Policy remain valid and relevant but the policy should be revised to better reflect current needs and resources within DMCs and ADB.

- **Strengthen Organizational Effectiveness.** There is a need to study issues related to the reorganization of 2002, including consolidation of environmental resources within ADB.
- **Improve the Quality of ADB's Environmental Assessment Process and Lower Transaction Costs to Make It More Cost-Effective.** The majority of the technical weaknesses identified in the environmental assessment can be addressed through

a systematic review and update of matters such as categorization, scope, quantification, standards, and improving technical methodologies.

- **Improve the Partnership with Nongovernment and Civil Society Organizations on Environment.** Enhancing this partnership poses questions related to: (i) the 120-day disclosure rule, (ii) the transparency and independence of the environmental assessment process; and (iii) reliance on national procedures and heightened role of nongovernment and civil society organizations in monitoring and implementation.
- **Move Toward Adoption of Improved Country Systems and Harmonization with Other Development Partners in Selected DMCs.** The Paris Declaration on Aid Effectiveness provides strong guidance on greater harmonization between funding agencies and partner countries on environmental assessment.
- **Prepare an Implementation Plan for the Revised Environment Policy.** ADB should develop an action plan to implement the revised policy, and any plan to be developed must involve an assessment of ADB's resources at headquarters and in the field for implementing environmental safeguards.

## Feedback

**ADB Management's Response** confirmed that the study raises important issues that are relevant to policy update. Management believed that the ongoing process of policy update, including the planned consultations with a wide range of stakeholders, provides an appropriate vehicle for further examining the report and addressing the recommendations of the study. **Stakeholder Feedback** provided other suggestions for policy update. The **Chair's Summary of the Development Effectiveness Committee Discussions** noted that the study had raised many of the right questions for the review, that the issues identified and recommendations made addressed not only implementation of the policy but also provisions in the policy itself, and that, by its response to the evaluation, ADB Management had started the critical corporate-level dialogue that would lead to the policy review.

<sup>1</sup> ADB. 2006. *Special Evaluation Study on Environmental Safeguards*. Manila. Available: <http://www.adb.org/Documents/SES/REG/sst-reg-2006-13/ses-es.pdf>