

## OPERATIONS MANUAL BANK POLICIES (BP)



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*These policies were prepared for use by ADB staff and are not necessarily a complete treatment of the subject.*

### ENVIRONMENTAL CONSIDERATIONS IN ADB OPERATIONS

#### A. Introduction

1. ADB's Environment Policy is grounded in its *Poverty Reduction Strategy*<sup>1</sup> and *Long-Term Strategic Framework*.<sup>2</sup> The *Poverty Reduction Strategy* recognizes that environmental sustainability is a prerequisite for pro-poor economic growth and efforts to reduce poverty. Environmental sustainability is also one of three crosscutting themes of the long-term strategic framework.

#### B. The Policy

2. To reduce poverty through environmentally sustainable development, ADB's Environment Policy contains five main elements: (i) promoting environment and natural resource management interventions to reduce poverty directly, (ii) assisting developing member countries (DMCs) to mainstream environmental considerations in economic growth, (iii) helping maintain global and regional life support systems that underpin future development prospects, (iv) building partnerships to maximize the impact of ADB lending and nonlending activities, and (v) integrating environmental considerations across all ADB operations.

3. The Environment Policy is implemented in a flexible fashion. In general, policy implementation is tailored to the specific needs and capacities of the DMCs. Country ownership is a guiding principle, and the mix and depth of environmental interventions depend on the country strategy and program process. However, the fifth policy element on integrating environmental considerations across all ADB operations must be applied uniformly by ADB to all ADB operations in all DMCs.

#### 1. Promoting Environment Interventions to Reduce Poverty

4. ADB assists DMCs to protect the health and productivity of the poor by improving environmental quality, and to enhance their livelihoods by improving natural resource management, maintaining the long-term productivity of ecosystems, and reducing their vulnerability to natural hazards and disasters. In developing and implementing poverty partnership agreements with DMCs, ADB, through a participatory approach, seeks to identify opportunities for environmental improvements and sustainable natural resource management for poverty reduction.

<sup>1</sup> ADB. 1999. *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank*. Manila.

<sup>2</sup> ADB. 2000. *The Long-Term Strategic Framework of the Asian Development Bank (2001–2015)*. Manila.



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### **2. Mainstreaming Environmental Considerations in Economic Growth**

5. ADB assists DMCs to strengthen their policy, legislative, and institutional frameworks to (i) integrate environmental objectives into national and sector economic development; (ii) introduce policies and regulatory systems for environmental management, including the use of economic instruments; (iii) enhance the participatory role of local governments and communities in supporting environmentally sustainable development actions; (iv) promote good governance to ensure compliance and enforcement; (v) mobilize domestic and other resources for environmental improvement, including from private sector interests; and (vi) enhance education, public awareness, and capacity building.

### **3. Maintaining Global and Regional Life Support Systems**

6. ADB assists DMCs to maintain global environmental life support systems and address regional transboundary environmental issues through (i) promotion of intergovernmental cooperation, (ii) participation in specialized mechanisms arising out of multilateral environmental agreements, (iii) facilitation of the transfer of technology and grant resources under multilateral agreements, (iv) capacity building for DMC policy makers and technical experts to articulate and defend DMC interests in international negotiations, and (v) support for regional cooperation and subregional environment programs and institutions.

### **4. Building Partnerships**

7. ADB builds partnerships with other agencies and institutions to (i) broaden, replicate, and sustain the impact of its efforts; (ii) complement and draw upon the comparative advantage of partners; (iii) mobilize additional knowledge and financial resources; and (iv) ensure coordination, avoid duplication, and maximize effectiveness in the use of scarce resources in DMCs. Partners will include nongovernment organizations and civil society entities, the private sector, multilateral and bilateral environment and development assistance agencies, subregional institutions, and international organizations.

### **5. Integrating Environmental Considerations in ADB Operations**

8. ADB addresses the environmental aspects of its operations through systematic application of procedures for (i) environmental analysis for country strategy and programming; (ii) environmental assessment of project loans, program loans, sector loans, sector development program loans, loans involving financial intermediaries, and private sector loans; (iii) monitoring and evaluation of compliance with environmental requirements of loans; and (iv) implementation of procedures for environmentally responsible procurement. In the context of policy-based lending and policy dialogue, ADB identifies opportunities to introduce policy reforms that provide incentives to improve environmental quality and enhance the sustainability of natural resource management.

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**Basis:** This OM section is based on:

ADB. 2002. Doc. R154-02. *Environment Policy of the Asian Development Bank*. 8 November. Manila.

This OM section is to be read with OM Section F1/OP.

**For other background information and references, see:**

ADB. 1987. Doc. IN.42-87. *Implementation of Bank's Environmental Policies and Procedures and its Future Activities*. 20 February. Manila.

ADB. 1985. Doc. R120-85. *Review of the Bank's Environmental Policies and Procedures*. 5 November. Manila.

**Compliance:** The fifth policy element of the Environment Policy on "Integrating Environmental Considerations in ADB Operations", as stipulated in para. 8 of this OM section, is subject to compliance review.

**For inquiries:** Questions may be directed to the Director, Environment and Social Safeguard Division, Regional and Sustainable Development Department.



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**ENVIRONMENTAL CONSIDERATIONS IN ADB OPERATIONS**

**A. Introduction**

1. ADB brings environmental considerations to bear on ADB operations at various planning, implementing, and evaluating levels. Environmental considerations are integrated at the country, region (within a country), sector, and project levels, using different approaches and techniques.

**B. Application of the Policy**

**1. Country Environmental Analysis**

2. A country environmental analysis (CEA) is prepared as an input to the country strategy and program (CSP) exercise. The CEA provides the background information necessary for informed decision-making on environmental constraints, needs, and opportunities in a developing member country (DMC), including those that impinge upon poverty partnership agreements. The CEA outlines environmental issues that are most important to a DMC's development strategy and describes ADB's role in helping remove the environmental constraints on the DMC's sustained development. The CEA is directed at the policy, program, and sector levels, although it may highlight issues associated with environmentally sensitive projects in the pipeline. The CEA is envisaged as a participatory process that is initiated before the CSP, and continues through CSP preparation to assess potential environmental issues associated with the CSP. The CEA must be posted on ADB's website within 14 calendar days after completion. The draft assessment may be made available to in-country stakeholders if it is developed in consultation with nongovernment stakeholders.

3. The CEA is prepared by the regional department concerned, and focuses specifically on sectors and institutional analysis of direct concern to ADB operations.<sup>1</sup> The analysis is tailored to the requirements of each DMC, and is built on complementary work by other agencies. In addition to enhancing the consideration given to environmental factors in formulating policies, plans, and programs, the information and analysis contained in the CEAs support and facilitate the downstream environmental assessment of individual ADB-financed projects. The CEA also provides a basis for monitoring country environmental

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<sup>1</sup> Instead of CEAs for each Pacific DMC, the Pacific Department will prepare a regional environmental strategy as an input to the regional strategy for the Pacific.



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performance. ADB's *Environmental Assessment Guidelines* provide guidance on the CEA. As experience is gained with the CEA, more detailed guidance may be developed.<sup>2</sup>

### 2. General Requirements for Environmental Assessment

4. Environmental assessment is a generic term for a process of environmental analysis, management, and planning to address environmental impacts of development policies, strategies, programs, and projects. ADB requires environmental assessment of all project, program, sector, sector development program, and financial intermediation loans, and of private sector investment operations.<sup>3</sup> ADB's environmental assessment process starts as soon as potential projects<sup>4</sup> for ADB financing are identified, and covers all project components whether financed by ADB, cofinanciers, or the borrower. While the scope of the environmental assessment covers the project in a broad sense, the specification of detailed mitigation measures to be implemented by the borrower will focus on components for which the borrower and, therefore, ADB has some influence. Environmental assessment is ideally carried out simultaneously with the prefeasibility and feasibility studies of the project. Environmental assessment, however, is a process rather than a one-time report, and includes environmental analyses and environmental management planning that take place throughout the project cycle. Important considerations in undertaking environmental assessment include examining alternatives; identifying potential environmental impacts, including indirect and cumulative impacts, and assessing their significance; achieving environmental standards; designing least-cost mitigation measures; developing appropriate environmental management plans (EMPs) and monitoring requirements; formulating institutional arrangements; and ensuring information disclosure, meaningful public consultation, and appropriate reporting of results.

5. The borrower is responsible for doing the environmental assessment in accordance with its own and ADB's environmental assessment requirements, and for implementing the assessment's recommendations. ADB reviews the environmental assessment report to ensure that it meets ADB requirements, and that it provides a sound basis for project processing and implementation. ADB monitors the borrower's implementation of agreed environmental mitigation measures. Within ADB, the project teams are responsible for ADB's environmental assessment process, and environment

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<sup>2</sup> The CEA's format and length will remain flexible, depending on needs of the CSP exercise. The CEA will succinctly cover (i) the general environment status and trends in the country, based on best available material; (ii) the policy, legislative, institutional, and budgetary framework for environmental management, and principal constraints and barriers to improved environmental management in sectors relevant to ADB operations; and (iii) the main environmental opportunities and issues associated with ADB's CSP.

<sup>3</sup> Emergency assistance loans are subject to the same environmental assessment requirements. See OM Section D7/OP (Disaster and Emergency Assistance).

<sup>4</sup> In the context of describing the environmental assessment of projects, the term "project" is defined here as a borrower's planned undertaking. The recommended environmental assessment activities refer to project, program, sector, sector development program, and financial intermediation loans, and to private sector loans and investment operations, unless otherwise stated.

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specialists in regional departments review the environment assessment reports. Quality assurance of projects and programs is undertaken by the project teams, with formal peer review of category-A projects through ADB's environment committee. Internal and external environment networks facilitate sharing and disseminating of lessons. The chief compliance officer, supported by the Environment and Social Safeguards Division (RSES), is responsible for monitoring compliance of regional departments with ADB's environment assessment requirements and advising Management on compliance.

### a. Classification

6. The environmental assessment requirements for projects depend on the significance of environmental impacts. Each proposed project is scrutinized as to its type; location; the sensitivity, scale, nature, and magnitude of its potential environmental impacts; and availability of cost-effective mitigation measures. Projects thus screened for their expected environmental impact are assigned to one of the following four categories:

- (i) **Category A.** Projects could have significant adverse environmental impacts. An environmental impact assessment (EIA) is required to address significant impacts.
- (ii) **Category B.** Projects could have some adverse environmental impacts, but of lesser degree or significance than those in category A. An initial environmental examination (IEE) is required to determine whether significant environmental impacts warranting an EIA are likely. If an EIA is not needed, the IEE is regarded as the final environmental assessment report.
- (iii) **Category C:** Projects are unlikely to have adverse environmental impacts. No EIA or IEE is required, although environmental implications are reviewed.
- (iv) **Category FI:** Projects involve a credit line through a financial intermediary or an equity investment in a financial intermediary. The financial intermediary must apply an environmental management system, unless all subprojects will result in insignificant impacts.

7. A project's environmental assessment category is determined by the category of its most environmentally sensitive component, including direct and indirect impacts. The process of determining a project's environment category is initiated by the regional department sector division, which prepares a project environment screening checklist, taking into account the type, size, and location of the proposed project. The sector division director submits the checklist and proposed environment category to the director of RSES, for concurrence or further discussion as required. Final classification is the responsibility of ADB's chief compliance officer. Projects are tentatively classified at initial screening of anticipated potential environmental impacts on the basis of a concept document, and this classification



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is reconfirmed by the chief compliance officer at the management review meeting stage.<sup>5</sup> However, classification is an ongoing process, and the environment category can be changed at any time with the approval of the chief compliance officer as more detailed information becomes available and project processing proceeds. Project categorization lists<sup>6</sup> are updated periodically by RSES as additional information on the project becomes available during preparation.

### b. Environmental Assessment Reports

8. The borrower prepares EIA reports<sup>7</sup> for category-A projects and IEE reports<sup>10</sup> for category-B projects. The borrower also prepares the summary EIA (SEIA) or summary IEE (SIEE) reports highlighting the main findings of the IEE or EIA. ADB recognizes that conventional project-focused EIA has limited application to policy-based lending instruments such as program loans. Such interventions benefit from upstream policy-analysis tools such as strategic environmental assessment. The format of the environmental assessment report for program loans is, therefore, flexible, but includes a matrix describing the environmental consequences and mitigation measures for the policy actions underpinning the program loan. The environmental assessment report for sector loans must describe the institutional arrangements and process to be followed for environmental assessment of subprojects to be approved during implementation. For projects under category FI, the environmental assessment report must describe the environmental management system to be applied by the financial intermediary. The results described in environmental assessment reports, including EMPs, must be reflected in the report and recommendations of the President (RRP).

### c. Public Consultation and Information Disclosure

9. **Public Consultation.** ADB requires public consultation in the environmental assessment process. For category-A and -B projects, the borrower must consult with groups affected by the proposed project and with local nongovernment organizations (NGOs). The consultation needs to be carried out as early as possible in the project cycle so that views of affected groups are taken into account in the design of the project and its environment mitigation measures. Such consultation will also take place during project implementation to identify and help address environmental issues that arise. For category-A projects, ADB ensures that the borrower or private sector sponsor carries out public consultation at

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<sup>5</sup> The classification is reconfirmed in the safeguard policy compliance memorandum issued by the chief compliance officer.

<sup>6</sup> Environment categories of projects are also included in *ADB Business Opportunities*.

<sup>7</sup> A typical EIA report includes the following major elements: (i) description of the project, (ii) description of the environment, (iii) anticipated environmental impacts and mitigation measures, (iv) alternatives, (v) economic assessment, (vi) an environmental management plan that includes institutional requirements and environmental monitoring program, (vii) public consultation and disclosure, and (viii) conclusion. The report is prepared by the borrower and reviewed and cleared by the EIA regulatory agency of the borrowing country and ADB.

<sup>8</sup> A typical IEE includes the following major elements: (i) description of the project, (ii) description of the environment, (iii) potential environmental impacts and mitigation measures, (iv) description of institutional requirements and environmental monitoring program, (v) public consultation and disclosure (vi) findings and recommendations, and (vii) conclusion.

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least twice: (i) once during the early stages of EIA field work; and (ii) once when the draft EIA report is available, and before loan appraisal by ADB. The public consultation process should be described in the EIA and SEIA reports. ADB's *Environmental Assessment Guidelines* describe the best practices for consulting stakeholders and providing access to information.

10. **Information Disclosure.** The SEIA, or in the case of category-B projects that are deemed environmentally sensitive,<sup>9</sup> the SIEE, shall be posted on ADB's website at least 120 days before ADB Board considers the loan, or in relevant cases, before approval of category A or category B subprojects deemed environmentally sensitive or major changes in project scope. The 120-day rule applies to all public and private sector category-A projects and to those category-B projects deemed to be environmentally sensitive. ADB shall make the full EIA or IEE available to interested parties on request. For a public sector project involving equity investment in a financial intermediary, or a credit line for subprojects, that requires an environmental management system under the environment policy, the RRP shall include a description of the environmental management system.

11. To facilitate the required consultations with project affected groups and local NGOs, ADB ensures that the borrower or project sponsor provides relevant information on the project's environmental issues in a form and language(s) accessible to those being consulted. For category-A projects, this should happen (i) during the early stages of EIA field work; and (ii) when the draft EIA report is available, and before appraisal.

12. A loan agreement may require that certain environmental monitoring reports be prepared during the course of a project. Such environmental monitoring reports shall be posted on ADB's web site upon submission to ADB. ADB shall require private sector sponsors to make environmental monitoring reports available to affected people and to submit these to ADB for web posting.

**3. Specific Requirements by Lending Modality**

**a. Project Loans**

13. Project loans follow the general requirements for environmental assessment.

**b. Environmental Assessment of Program Loans**

14. ADB requires that the environmental impacts of policy actions associated with program loans be evaluated, and that mitigation measures be identified and incorporated as loan covenants. The

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<sup>9</sup> Category B projects that are deemed by ADB's chief compliance officer to be environmentally sensitive for the purposes of (i) the 120 day rule, and (ii) the environmental management plan requirement (see para. 27) could involve projects that: (i) are near environmentally sensitive areas; (ii) involve deforestation or loss of biodiversity; (iii) involve involuntary resettlement issues; (iv) involve the processing, handling and disposal of toxic and hazardous substances; or (v) involve other environmentally sensitive activities that also may be of concern to a wide group of external stakeholders.



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environmental assessment focuses on the policy actions to be supported by the program loan. While IEEs and SIEEs or EIAs and SEIAs do not have to be prepared for program loans, except as stated in this paragraph, a matrix of potential environmental impacts of each policy action, together with mitigation measures, must be prepared for each program loan, with a qualitative indication of the likely order of magnitude of each impact and brief reasons for the judgment. The principles followed in preparing the matrix include screening of potential environmental impacts (including indirect impacts); mitigation of potential adverse impacts to the levels of “no significant harm to third parties”; polluter paying for mitigation measures; least-cost mitigation; and assurance that the institutional basis for implementing mitigation measures, including environmental monitoring, is in place. Strategic environmental assessment, which facilitates systematic evaluation of the environmental impacts of a policy, plan, or program, and its alternatives, may be applied to prepare program loans. If an investment component is included in the program loan and specific projects are identified as a part of the program loan, these projects follow the general project environmental assessment requirements. They are classified as detailed in paragraph 6, and an EIA or IEE is undertaken.

### **c. Environmental Assessment of Sector Loans**

15. Under the sector lending modality, ADB finances the capital investment needs of a given sector (i) in a specified geographical area, (ii) over a specified period, or (iii) both. Policy and institutional changes introduced as conditions under a sector loan may have an impact on the environment, directly or indirectly. Accordingly, policy and institutional changes proposed in a sector loan need to be examined to determine their environmental implications, and appropriate environmental interventions need to be introduced. Under the sector lending modality, subprojects are not necessarily identified before loan processing, and ADB-financed sector loans normally include only small subprojects.

16. To establish the broad criteria (including environmental parameters) for selecting subprojects to be financed under the loan, a few subprojects are identified and appraised before loan approval. Feasibility studies are prepared for such subprojects during the formulation of the sector loan, and provide the executing agency with some indication of and experience with how feasibility studies, including EIAs or IEEs, should be prepared and cost and benefit parameters established. These studies also help refine the eligibility criteria being developed for the sector loan, including specific environmental criteria and concerns that need to be examined carefully during subproject selection, design, appraisal, and implementation.

17. For environmentally sensitive sample subprojects, the SEIA or SIEE is submitted to the Board at least 120 days before it considers the sector loan, to demonstrate the manner of treating environmental issues that may arise during and after subproject selection.<sup>10</sup> The SEIA or SIEE describes the institutional arrangements (including budget and capacity requirements) and process that will be followed for environmental assessment of subprojects after the sector loan is approved. After the sector loan is

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<sup>10</sup> The EIA or IEE should also be made available to the Board upon request.

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approved, for subprojects confirmed by ADB as environmentally sensitive, the proposal and the IEE or EIA of the subproject must be forwarded to ADB for review. The SEIA or SIEE must be made available to the public at least 120 days before the subproject is approved.

18. More strategic upstream environmental assessment can be undertaken as part of the comprehensive sector study during program formulation to address social and environmental issues and the sector's development needs, and to identify potentially beneficial policy interventions that can be included in the policy matrix. Strategic environmental assessment can help identify better and more responsive environmental criteria for selecting subprojects and policies for implementing the sector loan. A strategic environmental assessment is especially useful for the cumulative and synergistic environmental impacts of a series of projects proposed for a sector.

### **d. Environmental Assessment of Sector Development Program Loans**

19. In addition to the general requirements, the sector development loan component follows the procedures described in paras. 15–18, while the policy-based loan component follows the requirements in para. 14.

### **e. Environmental Assessment of Financial Intermediation Loans and Equity Investments**

20. Under category FI, ADB's involvement may be in the form of either equity investment in, or a credit line to, a financial intermediary. If ADB involvement is an equity investment, where ADB funds do not finance specific subprojects but where the financial intermediary may have operations with adverse environmental impacts, the financial intermediary must adopt an environmental management system, comprising policy, procedures, and capacity, to comply with all government environmental regulations and requirements. The RRP for such public sector projects must include a description of the environmental management system. If required, ADB may also address any need to strengthen the capacity of the financial intermediary or the environmental agency to deal with environmental issues.

21. Where ADB involvement is a credit line for subprojects,<sup>11</sup> the financial institution must adopt an appropriate environmental management system that will cover the environmental assessment process of all subprojects to be financed with ADB funds. Any need to strengthen the environment agency and/or the financial institution in the DMC should be addressed. For category-A and environmentally sensitive category-B subprojects above the "free limit",<sup>12</sup> the EIA or IEE must be cleared by ADB before subproject approval. The SEIA or SIEE must be disclosed to the public at least 120 days before the subproject is approved (para. 10). For these subprojects, ADB reviews compliance with its environmental assessment

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<sup>11</sup> Here the term "subproject" includes expansion or rehabilitation of an existing project.

<sup>12</sup> A monetary limit above which subloans require ADB's prior approval.



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requirements, including those related to consultation and information disclosure. For subprojects below the free limit, ADB reserves the right to review the subproject proposal and its EIA or IEE.

22. The environmental assessment report for a category-FI project includes a description of the environmental management system to be applied. Useful attributes of environmental management systems are in ADB's *Environmental Assessment Guidelines*. However, financial intermediation projects, generally microfinance projects, where all subprojects will result in insignificant environmental impacts, are treated as under category C and are not required to adopt an environmental management system or prepare an environmental assessment report.

### **f. Environmental Assessment of Private Sector Operations**

23. Private sector entities and implementing institutions are a diverse group with varying environmental awareness and capabilities, and ADB generally adopts a flexible procedure in dealing with private sector loans and investments, to tailor environmental requirements to the investment vehicle, project, and expected subprojects. Nevertheless, the substance of ADB's environmental assessment requirements for private sector investments is the same as that of the requirements for the public sector. For loans and equity investments with specific identified projects or subprojects, the general environmental assessment requirements are applied (paras. 4–12). For indirect assistance in the form of credit lines to, or equity investments in, a financial intermediary or an investment vehicle where subprojects to be financed with ADB funds will be known only during project implementation, ADB's environmental requirements for category-FI loans and equity investments apply.

### **4. Cofinancing**

24. ADB's environment assessment process covers all components of projects, whether financed by ADB or cofinanciers. Cofinancing comprises financing from official sources (e.g., official loans and grant cofinancing) as well as commercial sources (e.g., commercial banks, insurance companies, institutional investors, and export credit agencies). Commercial cofinancing may be provided with or without an ADB credit enhancement instrument (i.e., a partial credit guarantee, a political risk guarantee, or the complementary financing scheme). Project components that use cofinancing in any form must have environmental assessments carried out in accordance with the requirements set forth in this Operations Manual. Wherever possible, a single environmental assessment should be conducted to satisfy the requirements of ADB and the cofinanciers.

### **5. Environmental Standards and Emission Levels**

25. In determining appropriate environmental standards for ADB projects, ADB follows the standards and approaches laid out in the World Bank's *Pollution Prevention and Abatement Handbook*,<sup>14</sup> which

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<sup>13</sup> World Bank. 1999. *Pollution Prevention and Abatement Handbook: Toward Cleaner Production*. Washington, DC.

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describes generally acceptable pollution prevention and abatement measures and emission levels. However, the environmental assessment for any individual project may recommend adoption of alternative emission levels and approaches to pollution prevention and abatement. This flexibility is required to best reflect national legislation and local conditions in determining the standards and emission levels. In all such cases, the environmental assessment report must justify the levels and the approaches chosen for the project or site.

### 6. Environmentally Responsible Procurement

26. The environmental assessment process examines considerations related to environmentally responsible procurement. ADB requests borrowers and executing agencies to ensure wherever possible that the goods and services procured under ADB-financed projects have been responsibly produced to use resources efficiently, minimize waste, and protect the environment. Suitable provisions need in due course to be included in loan and project agreements as well as bidding documents to ensure environmentally responsible procurement. The form and content of such provisions need to be developed in coordination with other multilateral financial institutions.

### 7. Implementation, and Monitoring and Evaluation

27. **Environmental Management Plans and Loan Covenants.** As part of the environmental assessment process, category-A and environmentally sensitive category-B projects require the development of EMPs that outline specific mitigation measures, environmental monitoring requirements, and related institutional arrangements, including budget requirements. Loan agreements include specific environmental covenants that describe environmental requirements, including the EMPs. The provisions for the EMPs must also be fully reflected in the project administration memorandums. To ensure proper and timely implementation of the EMPs and adherence to the agreed environmental covenants, ADB requires, for all category-A projects and all environmentally sensitive category-B projects (footnote 9), that (i) borrowers or executing agencies submit semiannual reports on implementation of EMPs, and that this requirement be reflected in the loan agreements; and (ii) review missions from ADB regional departments conduct an annual review of environmental aspects of the project. The purpose is to ensure that the borrower and executing agency are implementing the EMPs and fulfilling the environmental covenants. The outcome of such reviews must be reflected in the aide memoire of the review mission.

28. **Project Completion and Performance Audit Reports.** To ensure proper documentation of the actual environmental impacts of the project and the success of the EMP, the project or program completion report (PCR) prepared by ADB's regional departments must include (i) a concise history of the environmental aspects of the project to completion, including an account of the performance of environmental indicators during project implementation; (ii) an evaluation of the implementation of the EMP and environmental loan covenants; and (iii) an assessment of the performance of the executing agency. The PCR's environment section is based on the facts documented in executing agencies'



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semiannual reports and review missions' back-to-office reports. ADB's Operations Evaluation Department prepares project and program performance audit reports, which are independent evaluations and include an analysis of the effectiveness of the EMP in achieving the objectives. The reports also assess the PCR's environmental reporting for its adequacy, and focus on specific environmental issues as documented in the PCR.

29. **Changes in Scope.** A major change is one that materially alters or fundamentally affects the project's purpose (immediate objectives), components, costs, benefits, procurement, or other implementation arrangements as approved by the Board.<sup>15</sup> All major changes in scope must be screened for environmental significance, and classified in accordance with paragraphs 6 and 7. All proposed changes that are under category A require an EIA, and those classified as B require an IEE. In the case of environmentally sensitive changes, the SEIA or SIEE must be posted on ADB's website and submitted to the Board, at least 120 days before the change in scope is approved.

30. **Uncertainties in Locations and Alignments of Infrastructure.** For most environmentally sensitive projects, especially under category A, major site selection issues should have been addressed by the time of Board approval. Where specific locations or alignments of major infrastructure or project facilities are uncertain at the time of Board approval, the EIA or IEE must include an EMP that presents full details on the agreed process to be followed for environmental assessment, including any special studies of environmental issues and specification of environmental mitigation measures during project implementation. The pertinent details must be presented in the SEIA or SIEE and summarized in the RRP. The details must also be reflected in the loan agreement.

31. **Unanticipated Environmental Impacts.** Where unanticipated environmental impacts become apparent during project implementation or after project completion, ADB helps executing agencies and other relevant government authorities assess the significance of the impacts, evaluate the options, and estimate the costs of mitigation. ADB also helps DMCs find the resources needed to mitigate the damage. Project completion review missions should review project-induced environmental concerns, and recommend ways to address them. ADB resident missions take on an increasing role in working with DMCs to resolve issues. If unanticipated impacts are identified after a loan is closed, ADB encourages and assists as required, the borrower to plan and implement remedial measures.

### C. Departmental Responsibilities

32. The regional departments and the Private Sector Operations Department, supported by the Regional and Sustainable Development Department (RSDD), are responsible for policy implementation. The regional departments are responsible for proposing the categorization of all loans in consultation with RSDD. Final categorization is approved by the chief compliance officer. The project teams are

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<sup>14</sup> ADB. 2005. Change in Project Scope or Implementation Arrangements. *Project Administration Instructions*, Section 5.04. Manila (29 September). Available: Lotus Notes database, LNADBG1.

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responsible for ADB's environmental assessment process, and environment specialists in regional departments review environment assessment reports. Quality assurance of projects and programs is undertaken by the project teams, with formal peer review of category-A projects being done through the environment committee. Internal and external environment networks facilitate cross-fertilization, knowledge sharing, and dissemination of lessons.

### **D. Compliance**

33. The regional departments are responsible for complying with the policy. ADB's chief compliance officer, supported by the Environment and Social Safeguard Division (RSES), is responsible for monitoring compliance with ADB's safeguard policies, and advising and assisting operations units. The chief compliance officer advises Management on safeguard policy issues and reviews projects' compliance with ADB's safeguard policies.

### **E. Monitoring**

34. Overall performance in regard to ADB's safeguard policies and procedures is measured through the compliance monitoring system, which is implemented by RSES.

### **F. Borrower's Responsibilities in Preparing and Reviewing EIAs, SEIAs, IEEs, and SIEEs**

35. The following are essential in the preparation and review of IEEs, SIEEs, EIAs, and SEIAs.

- (i) All government and ADB environmental requirements must be met.
- (ii) ADB must request the borrower to follow the ADB-prescribed environmental assessment format wherever possible. Some departure from ADB's recommended report format may be accepted, provided that all the major elements to be covered by the report (page 3, footnotes 3 and 4) are addressed.
- (iii) In preparing the environmental assessment reports, ADB requires the borrower to take into account the views of project-affected groups, including NGOs, in accordance with paras. 9–12.
- (iv) Wherever possible, the borrower gives its final clearance of the EIA or IEE before the SEIA or SIEE is submitted to the Board. Where this is not possible, and final government clearance has still not been received before the conclusion of loan negotiations, a loan covenant requiring government clearance of the EIA or IEE is to be included in the loan agreement.



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**Basis:** This OM section is based on OM Section F1/BP and the documents cited therein, and on OM Section L3 (Public Communications) and the documents cited therein.

**Compliance:** This OM section is subject to compliance review.

**For inquiries:** Questions may be directed to the Director, Environment and Social Safeguard Division, Regional and Sustainable Development Department.