

# **A Note on the Draft Environment Policy Working Paper For Consultation and Discussion**

## **The Asian Development Bank**

### ***Purpose***

ADB is in the process of updating its Environment Policy. We recognize the need to involve a diverse group of stakeholders representing all sectors (government, civil society, NGOs, private sector and academia). The purpose of this note is to enter into dialogue with you as a stakeholder in environmental management and development. We encourage you to provide feedback on ADB's initial ideas for developing an Environment Policy. This is very much a work in progress. We hope that together we can promote a better environment in Asia.

### ***Introduction***

Recent studies<sup>1</sup> on the state of the environment and natural resources in Asia, home to more than one-half of the world's population, have presented an alarming picture. In the preceding 30 years, marked in several countries by among the highest rates of economic growth ever achieved anywhere, Asia lost half its forest cover, together with countless unique animal and plant species. A third of its agricultural land became degraded. Fish stocks halved. The region has the largest number of heavily polluted cities. Its rivers and lakes are among the most polluted. The level and rapidity of environmental degradation raises serious concerns about the sustainability of Asia's economic growth.

The studies also noted that the genesis of Asia's environmental degradation lies in at least two kinds of policy failures. One, that environmental protection was not a priority of policymakers in ADB's developing member countries (DMCs) who adopted a "*grow now, clean up later*" approach, neglecting the fact that this would simply result in much larger costs overall to society, and would also exacerbate poverty. Two, that when governments did adopt environmental regulation adopted stringent standards which could not be monitored or enforced, and rigid policy instruments which generally neglected incentives for compliance. Thus, there has been little compliance with environmental regulations and limited political commitment to achieving stated national environmental objectives.

### ***The Need for an ADB Environment Policy***

ADB has recently embraced a new development strategy where poverty reduction is the overarching goal. ADB's policies and priority programs are to be realigned accordingly, and our Environment Policy has a crucial role to play in this process.

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<sup>1</sup> Emerging Asia (1997), Asian Development Bank and Asian Environmental Outlook (2001), Asian Development Bank.

One of the operational priorities of ADB is the integration of environmental concerns at each stage of the poverty reduction country-level process (including partnership agreements, poverty analyses and at each stage of preparing the Country Strategy Plan). Environmental protection has been incorporated into all ADB programs and projects; many of those procedures and practices for environmental protection have evolved over a period of years. The Environment Policy will enhance those operational procedures and provide formal justification for them. The policy will also strengthen and enhance internal environmental assessment procedures. While assessments are conducted regularly, appropriate steps need to be taken to ensure that mitigation and protection measures are implemented according to plan. Furthermore, in order to guide the creation of new programs and projects, the Environment Policy will identify priorities for investment and technical assistance in relation to environmental conservation for poverty reduction.

So far, the role of civil society, including non-governmental organizations (NGOs) and community-based organizations (CBOs), has not always been given sufficient attention in the institutional arrangements for environmental protection. The participation of stakeholders, and representatives of civil society, could improve the chances of success in terms of effectiveness and sustainability, and improve environmental governance. In some DMCs the devolution of natural resource and management functions to regional and local governments has facilitated the inclusion of civil society in environment and natural resource management; in others it hasn't.

Therefore, at ADB, we believe our challenge is to assist DMCs:

- To establish environmentally sound policy frameworks;
- To improve the sustainable management and development of the environmental resources on which the poor depend for their livelihoods;
- To better integrate environmental objectives into the development process; and
- To facilitate the accelerated flow of resources for environmental improvement.

### ***What Does an ADB Environment Policy Mean for You?***

ADB is making a concerted effort to engage all stakeholders in formulating the Environment Policy. We are endeavoring to go beyond mere consultation towards collaboration.

As a stakeholder in the region, you have a keen interest in seeing that programs and projects are effective in improving environmental quality for all, improving the health and livelihoods of the poor, and reducing the vulnerability of the poor to environmental risks. You can affect the outcome of a proposed ADB activity or be affected by it; because of this, your participation is critical. ADB operates according to policies and procedures. Thus, the Environment Policy will govern the way in which ADB seeks to improve environment conditions in Asia, and the way it looks at the environment in its programs and projects. We hope you will agree to help us as a partner in developing an effective policy that represents shared values, and in helping us ensure that those values are actually realized when projects are implemented.

In addition, many of you are in the position to represent the needs of wider constituencies, including the poor. We hope that you can discuss the proposed priorities and principles included in this note with your constituents in order that the priorities reflect the needs of all our stakeholders, including the poor, women, marginalized people and others.

### ***Key Operational Principles***

The following key norms relate both to the ADB's own activities and the practices intended to be promoted in DMCs through ADB operations:

- Environmental assessment and management plans should aim to ensure that there is no significant unmitigated environmental harm.
- In reckoning the cost of environmental mitigation measures, the value of the benefits of mitigation must be taken into account, in addition to the direct costs.
- Polluters should pay not only the costs of pollution prevention and control, but also environmental damage and administrative costs. The polluter should fully reimburse the victim for damages.
- There should be no significant transboundary effects. States must take measures to prevent or reduce injury to the environment of another state or area beyond its jurisdiction.
- Compliance with specific environmental measures should be monitored. Stakeholders should be able to monitor compliance and have access to effective remedies in the event of non-compliance.

### ***Proposed Areas of Attention***

The following outlines some of the specific ways in which ADB operations, procedures and practices might be strengthened or changed in response to the needs, both within ADB and in the region. It is our intention that the environment policy will also serve to strengthen the work of our stakeholders in the region, including policy making by the DMC governments.

1. *Strengthening Policies to Integrate Environment into National Development Planning and Sectoral Development Actions* -- We have learned that environment policy objectives should be integrated into sector policies in order to ensure coherence. The policy dialogue instruments available to do this include:
  - a. Ensuring that appropriate attention is placed on addressing environmental opportunities in policy-based lending;

- b. Enhancing the policy content of investment projects with particular attention to the incentive framework for environmental management; and
- c. Strengthening the knowledge base and capacity of DMCs to identify and implement policy options that promote positive environmental outcomes.

Accordingly, a number of themes (with respective examples) for policy dialogue are being considered:

- *Institutional* – such as integrated planning frameworks, decentralization of environmental responsibilities, and national accounting and budgeting processes
  - *Sectoral* – such as financing modalities for urban environmental improvement, energy pricing, and public/private collaboration in pollution control;
  - *Cross-sectoral resource management* – such as river basin management of water resources, and integrated coastal zone management; and
  - *Poverty-environment* – such as sustainable use and conservation of biodiversity, community-based resource management to combat land degradation, and the role of traditional knowledge and livelihood systems.
2. *Enhancing Environmental Management Measures for the Sustainable Development of Resources for the Livelihoods and the Protection of the Health of the Poor* – In order to meet our objective of poverty reduction, we have outlined four possible themes for capacity-building projects and loans:
    - a. Conservation of the ecological base of rural livelihoods, including biodiversity resources;
    - b. Protection of coastal and marine natural resources;
    - c. Preventing desertification and soil degradation; and
    - d. Reducing local air, water and soil pollution which directly impacts the livelihoods and health of the poor.
  3. *Enhancing ADB Environmental Assessment Guidelines* – Based on our experience with project implementation, we have identified the need to strengthen the environmental assessment process. Examples include providing tools for conducting strategic environmental assessments and environmental assessments for financial intermediaries and program and sector loans. Furthermore, an internal study revealed that the environmental protection and mitigation measures mandated in ADB-financed projects require greater attention. ADB will ensure that monitoring and evaluation criteria are identified and environmental covenants are kept. Finally, strengthening stakeholder participation in the environmental assessment process is a priority.
  4. *Implementing International Environmental Agreements* – ADB proposes to help DMCs meet their commitments under, and realize the benefits from, selected international agreements. Since the pool of environmental agreements is very large, we are developing criteria for selecting which agreements we can help DMCs to implement. We believe that this will also stimulate a significant increase in governments' investments in high priority environmental programs and projects.