

ADB ENVIRONMENT POLICY WORKING PAPER RESULTS OF EXTERNAL CONSULTATION AND PRELIMINARY RESPONSE¹

1. ADB's external consultation process for the drafting of its Environment Policy involved 632 stakeholders and targeted participation in 18 developing member countries (DMCs) and 7 developed countries. The following is a summary of the comments received either in writing or through the 22 consultation workshops held from February to October 2001. Also included is a brief explanation of the changes ADB made to the working paper as a result of the comments, or the reason why the suggestion was not appropriate for the environment policy document. The summary of comments and ADB's response to the comments is preliminary. Where applicable, the stakeholder group and country have been identified.

A Format, Scope and Approach of the Document

2. **A Clear Policy.** Many readers expressed the need for a well-defined policy statement. It was difficult to determine which aspects of the working paper are policy. "The policy logframe may need restructuring to ensure that the legislative mandate and framework for the ADB environment policy is clearly launched at the outset" (aid agency/Samoa). Some also thought the policy a mixture of policies and strategies. Workshop participants in India perceived a "mismatch between the policy objectives and the strategies adopted for achieving those objectives." We agree. We modified the working paper considerably to ensure clear policy statements, and included a separate section on **implementing the policy**.

3. **Focus and Tone.** The focus and tone of the working paper lacked a cultural and regional perspective, according to some. A few thought it the perspective of a "developed" country. "It is important that ADB of Asia bears an Asian outlook and caters to the diversity of Asia" (government/Sri Lanka). However, stakeholders from the Pacific Island nations reacted strongly to what they read as a solely Asian focus. "This document is about Asia, and does not 'talk' about the Pacific!" Several from the Philippines, Australia and Hong Kong found the tone reactive rather than proactive and strategic. NGOs from Lao PDR and Cook Islands cautioned that the policy should be rooted in the real needs of the "truly needy" and not just what governments want. We tried to balance the paper with an emphasis on pollution prevention, conservation and natural resource management rather than merely remediation, to make the tone more proactive. The working paper is geared toward the environmental problems of Asia and the Pacific. ADB's Pacific Department is in the process of developing an environment strategy for the Pacific.

4. **Problem Analysis.** Many thought the working paper, especially the August 2001 version, did not adequately analyze the underlying causes of environmental degradation, and this analysis should not simply be placed in an appendix. Further economic argument should be provided against the "grow up now, clean up later" approach. Stakeholders from Australia, India and the United States would like to see a discussion of economic growth, globalization and development reconciled with that of environmental sustainability and social equity. "While the policy does contain some interesting and useful discussion about the conflict between environmental sustainability and the Bank's traditional economic development approach, this discussion is not coherent and contains contradictions and poorly substantiated assumptions. Complex political, social and cultural factors are ignored or superficially glossed over . . . with little evidence that the policy reflects a fundamental shift or rethink in how the Bank 'as a whole'

¹ This report is a draft.

approaches development” (international NGO/Australia). We tried to reflect this in **Part 1** and **Appendix 1**.

5. **Policy Integration.** Participants from 3 DMCs and 2 developed countries thought the environment policy should be harmonized with and explicitly linked with other ADB policies that address environmental issues. The environment policy strengthens and complements the environmental issues and concerns addressed in ADB’s existing sectoral and crosscutting policies; we have highlighted this in the policy statement (**paragraph 29**) and **Appendix 4**.

6. **The Consultation Process.** The majority of readers applauded ADB for its participatory consultation process. One international NGO requested that ADB show how comments were or were not incorporated and why, and conduct an assessment of the process. A small group from the Australia workshop expressed concern about whether the poor were directly consulted about the policy. This document should serve as a complete analysis of the external input received, including how comments were incorporated. ADB’s consultation process involved diverse stakeholder groups. We translated the discussion documents into local languages and invited operational NGOs from the grassroots, specifically asking them to circulate the documents and gather feedback from their constituencies.

13. **ADB’s Poverty Focus.** A few NGOs in India questioned the **Poverty Reduction Strategy** in general. “The focus on poverty reduction was found to be in conflict with ADB’s role as the Banker.” “The focus of ADB assistance to developing countries is shifting from individual projects to policy reforms and the quantum of assistance available for direct poverty reduction programmes is shrinking.” As the region’s premier development institution, ADB can be a powerful ally of borrowing members in their war against poverty. ADB’s intellectual and financial contributions can play a crucial catalytic role in reinforcing national efforts to reduce poverty. The amount of assistance directed at poverty reduction is not shrinking; all loans and technical assistance are expected to contribute to reducing poverty. ADB’s Poverty Reduction Strategy stipulates that at least 40 percent of public sector lending goes toward poverty interventions.

14. **World Commission on Dams.** Participants from Australia, Nepal, and the US thought ADB’s policy should incorporate the findings of the World Commission on Dams (WCD). **Paragraph 69** cites the WCD guidelines as applicable for enhancing participation in the environmental assessment process, and will take these guidelines into consideration in strengthening its environmental assessment procedures.

15. **Housekeeping.** Many offered helpful suggestions for improving the document: linking the appendices more substantially to the substance of the policy, defining vague terms, defining acronyms, and clearly stating policy assumptions.

B. ADB’s Implementation of the Policy

16. An overwhelming majority of the participants were concerned about whether the policy could be implemented, and how. What are the processes, mechanisms, and structures needed to put the principles and values into action? “How the policy will help ADB achieve its goals is unclear” (government/Japan). Some thought the action plan added in the August 2001 draft should be reworked to include practical implications of the policy, resource allocations, and departmental responsibilities (international NGOs/United States). Some from developed countries noted the need for clear internal targets and indicators as the basis for measuring performance. Stakeholders in India, Sri Lanka, and the United States also suggested the need

for including staff incentives to support the policy, including the consequences of non-compliance. One international NGO was concerned that it might take long for the policy to be integrated into ADB operations. **Section III** of the working paper, entitled “Operationalizing the Policy,” includes a medium-term action plan and the strategy for the policy’s implementation, monitoring, and review. Other documents have been written, and are being discussed within ADB, outlining the resource requirements for implementing the action plan. Once the working paper is approved by ADB’s Board of Directors, it will be converted to ADB policy shortly thereafter.

C. ADB Accountability

17. **General.** Readers from 6 DMCs and 2 developed countries (mostly from NGOs) commented on the need for ADB to be more accountable to the public. The policy should address who in ADB is responsible for compliance, and the consequences for non-compliance. One reader suggested providing a non-punitive venue for ADB staff or consultants to criticize project planning, execution, and follow-up. An NGO from Lao PDR expressed the need for ADB staff to be rewarded for the sustainability and socio-economic impact of their project results, rather than according to disbursement results. Those in Pakistan and Sri Lanka suggested specifying ADB’s level of responsibility as well as that of the borrower. Under ADB’s reorganization (effective January 2002), Environment Specialists were integrated into operational divisions, further mainstreaming environment into ADB operations. A new [Regional and Sustainable Development Department](#) (RSDD) and its Environment and Social Safeguards Division will monitor compliance with the environment policy and related operational guidelines. The RSDD will also develop external networks as an important source of information sharing and accountability. We have added a section on the implementation, monitoring and review of the policy (see [paragraphs 102-106](#)).

18. **Lessons Learned.** ADB should evaluate past projects and performance and formalize lessons learned. “In addition to being a watchdog of DMCs, ADB should get its own ship in order” (Philippines). “The ADB should ensure that all people whose livelihoods have been negatively impacted by ADB-funded projects or programs have their livelihoods restored” (international NGO/United States). “ADB must take direct responsibilities, and should be accountable to ensure adequate compensation, reparation and the sharing of development benefits . . .” (NGOs/Nepal workshop). We added paragraphs on ADB’s history vis-à-vis the environment throughout [Part I](#), and have attempted to incorporate lessons learned into the Policy. It is important to note, however, that ADB provides loans and technical assistance to borrowing countries, in order for them to implement projects and policy and institutional reforms. ADB’s [Involuntary Resettlement Policy](#) outlines the ways in which individuals or communities should be compensated and assisted so that their economic and social future will be at least as favorable with the project as without it.

19. **Inspection Procedures.** Several readers (mostly from NGOs) spoke about ADB’s inspection function. “There is a need to be able to stop harmful projects while an Inspection Panel is going on.” (NGOs/Australia workshop). “The current inspection function policy, currently being tested in the case of Samut Prakarn, is already proving to be slow, cumbersome and inadequate, and does not even provide for the suspension of loan disbursements and project construction while policy breaches are being investigated” (international NGO/Australia). “In order to ensure the Bank’s credibility, project-affected communities must be informed of the Bank’s complaint mechanisms . . . in the initial consultations as early as the project selection” (international NGO/United States). ADB has a policy dedicated to its [inspection function](#). This

policy is currently under revision, and these comments will be addressed in that context.

D. Environmental Assessment Processes

20. **Categorization of Projects.** NGO representatives from DMCs and developed countries think the policy should include criteria or benchmarks for environmental assessment categories. One aid agency in a developed country expressed concern that ADB adding a category could impact the procedures for developing a common system of categorization among all multilateral development banks. NGOs in the Philippines would like to see a clear-cut definition of direct and indirect environmental impacts. An NGO in India claimed ADB should not be supporting or intending to support projects which have potentially serious or significant impacts on the environment. The full descriptions of the categories, including criteria and definitions of terms, may be found in ADB's *Environmental Assessment Guidelines* (soon to be released). For example, a project can be categorized as "likely to have significant adverse environmental impact" if it is near a wetland, historical site or densely populated area. This means that a full assessment should be conducted in order to ensure the proposed project accommodates for the sensitive area, and recommends measures to prevent, minimize, mitigate or compensate for adverse impacts and improve environmental performance.

21. **Country Environmental Analysis.** Most developed country consultations, and several DMCs as well, included some discussion of the strategic environmental assessment (SEA) tool for country strategy and programming, which was introduced in previous drafts. Participants applauded the use of SEA, many even desiring its mandatory use, and suggested that ADB's wording in the February 2001 draft was too timid. They suggested that ADB outline the constraints to full-scale use of SEA for country strategy and programming at this time. A group of NGOs in India suggested that country environmental assessments be made an integral part of country program and strategy development, and that they should be subject to consultation and review by all stakeholders. ADB's new business processes envisage an environmental review at the country strategy and program stage, which the environment policy working paper now refers to as a country environmental analysis (CEA). The CEA would be done every five years as part of the country strategy and programming process See **paragraphs 58-59**.

22. **Inclusion of Other Issues.** One international NGO, government officials from Norway, and mixed workshop groups from Indonesia, Sri Lanka, and Viet Nam suggested that the environmental assessment tools be broadened to a strategic impact assessment, including social, economic, health, political, and cultural implications (as recommended by the World Commission on Dams). "Environmental impact analyses cannot be separated from analyses of the economic, political, socio-cultural, and technical impacts of a particular project" (Indonesia workshop). One respondent from Hong Kong, China suggested a sustainability impact assessment may be appropriate for special situations. ADB agrees that the environmental assessment process can be used to trigger further analysis of these other dimensions, but separate ADB policies and procedures have been developed for these other areas, in order to ensure appropriate expertise and resources are dedicated to them.

23. **Environmental Assessment Guidelines.** Participants all agreed that ADB's *Environmental Assessment Guidelines* should be revised to be more clear and comprehensive, but one (international NGO/United States) expressed concern that the policy and guidelines were being written in parallel – the policy should be finalized and approved before the guidelines can be completed. The policy should specify at what point of project/program design, project planning, and construction environmental assessments will be conducted. It should outline the

specifics of how mitigation measures will take place and by whom (international NGOs/United States), and what will happen when environmental and social problems arise that were not previously identified and for which there is no mitigation plan (international NGO/United States, Lao PDR workshop). One international NGO (Australia) noted that the draft policy mentions “lack of time and data” as the reason why full-scale impact assessments and their accompanying consultation processes (e.g., August 2001 version, paragraph 36) may be limited. Stakeholders in India noted the need to “consider the cumulative environmental impacts while carrying out environmental assessments as a prerequisite to quality assurance and to ascertain consequent liabilities.” Others in Sri Lanka and the South Pacific felt environmental impact assessments (EIAs) are too restrictive, and need to assess indirect impacts more thoroughly. One government official in PRC thought ADB should simplify the procedures for supervision and acceptance of the EIA, while another thought PRC’s EIA process is biased toward proposed projects and sometimes ignores adverse environmental impacts. ADB’s *Environmental Assessment Guidelines* have been revised in tandem and in coordination with ADB’s environment policy, but will only be finalized after the policy is approved. The details on the environmental assessment procedures are appropriate for the guidelines, not the policy. While we removed references to lack of time and data, it is important to note that ADB is limited in its capacity to conduct assessments and, after categorizing the project, relies on the DMC executing agency to submit the environmental assessment report. ADB prepares the terms of reference for undertaking environmental assessment, supervises the incorporation of the environmental assessment’s results into the loan document, and supervises the implementation and monitoring of the project. It also finances the environmental assessment and helps supervise the environmental assessment consultants. A section dedicated to assessing the potential cumulative effects on environmental resources is included in the revised environmental assessment guidelines. The midterm review by ADB staff is designed to identify any other environmental issues not previously identified in the environmental management plan. We added a new **paragraph (74)** addressing environmental impacts that become apparent during project implementation or after project completion.

24. **Public Participation in Environmental Assessment Processes.** NGO stakeholders in India, Philippines, and the United States emphasized the need for ADB’s environmental assessment processes to adopt “participatory processes that result in stakeholders’ consensus and not simply use consultation.” An international NGO (United States) went further to say that loans “should only proceed with affected communities’ prior consent.” Several NGOs (Nepal and United States) suggested that affected communities should be compensated by those who profit from projects. All environmental assessment reports should be made public and available in the local language. How participation will be incorporated throughout the respective stages of the project/program development cycle should be made clear in the policy (Samoa). EIAs of private sector projects should also be made public. Public acceptance is one of the goals in the environmental assessment process, but it should be noted that every community member might not approve of the project. The environmental assessment guidelines stipulate the mandatory involvement of the public, including suggestions for who, how and when. ADB encourages DMCs to ensure environmental assessment documents are translated into local languages and publicized. ADB also facilitates public involvement by inviting NGOs to in-country discussions about proposed projects and programs.

25. **Assessing Environmental Assessment Reports.** Workshop participants in two DMCs, and one international NGO, expressed the need for clearer and more transparent procedures for assessing the Environmental Impact Assessments. Some argued for an independent body to assess EIAs, and another claimed that “political, technical and financial investment in the project has often already been made before the EIA is launched, leading to unsatisfactory outcomes.”

(international NGO/United States). ADB must ensure the project fully addresses environmental considerations prior to finalizing the loan agreement. ADB and the DMC review and approve the environmental assessment reports, and they must be made public at least 120 days before consideration by ADB's Board of Directors in order to ensure opportunity for external review.

26. **Environmental Assessments of Program Loans.** Four international NGOs and eleven NGOs from the workshops in the Philippines think full-scale environmental assessments should be conducted for program lending. This may require separate categorization since that used for projects may not be applicable. As outlined in **paragraphs 64 and 65**, ADB requires that environmental impacts of program loans be evaluated and mitigation measures incorporated into loan covenants, and suggests SEA as the appropriate tool. ADB's *Environmental Assessment Guidelines* include guidance on whether a program loan would benefit from an SEA.

E. Private Sector Operations

27. **Accountability.** Many participants in both developing and developed countries believe the accountability and rules governing loans to the private sector should be specified more clearly. Some international NGOs feel the policy "should apply in the same way to the private sector as for public sector loans" (United States), while private sector stakeholders in one DMC noted how the rules governing loans to the private sector should not be exactly the same as those to the government sector. One international NGO believes the policy "should explicitly require that projects developed through BOT/BOO/turnkey contracting schemes should have EIAs/IEEs of the actual project site, and the Bank's financing of the projects is subject to the outcome of the EIAs/IEEs of the actual project site, and the consent of the affected communities of the actual project site" (United States). Another international NGO is concerned that private sector operations "can lead to reduced levels of access to project information because of commercial-in-confidence principles." The specific rules governing loans to the private sector are found in ADB's *Environmental Assessment Guidelines*, to be published shortly. For direct loans and equity investments with specific projects or subprojects, the environmental assessment requirement for project lending is applied. For indirect loans and equity investments through a financial intermediary where the subproject will only be known during project implementation, the environmental assessment requirement for loans involving intermediaries is applied.

28. **Greater Involvement.** Some believe ADB should do more to foster public-private partnerships, and develop small-scale industry, to ensure the sustainability of a project. The policy should distinguish between the corporate private sector and small and medium enterprises. ADB's [Long-Term Strategic Framework](#) (LTSF) recognizes that "involvement with the private sector is expected to increase substantially in the years to come" and that "for ADB's private sector operations to have a meaningful and relevant impact, it must undertake a critical mass of private investment." The LTSF, the [Private Sector Development Strategy](#) and the [Poverty Reduction Strategy](#) all recognize the importance of catalyzing the private sector and private capital flows as part of the long-term solution to poverty reduction. The environment policy emphasizes the involvement of the private sector in environmental protection and improvement; see **paragraphs 40-41 and 66**.

F. Environmental Management

29. **DMC Autonomy.** Participants from all stakeholder groups expressed the need for clear statements in the policy regarding autonomy. “The sovereignty of the countries should be respected.” “The policies should encourage, orient and guide instead of implementing a single uniform convention, standard and norm” (government/PRC). Others questioned whose standards are adhered to in loan covenants, those of the DMC or of ADB or international guidelines? Without this specificity, participants fear the policy might be interpreted differently. In **paragraph 45**, the working paper states that the responsibility for environmental management rests with each DMC. The environment policy will guide the way ADB seeks to improve environment conditions in Asia and the Pacific, and the way it considers environmental issues in its programs and projects. These principles and policies are discussed with member governments in loan negotiations, and form the basis for loan covenants.

30. **Intersectoral Integration.** DMC sectoral policies should be coordinated with crosscutting environmental policies (Philippines, Pakistan, Samoa, Indonesia, Viet Nam, Nepal and Lao PDR). Policy integration is a major pre-occupation in implementing the policy; see the medium-term action plan. The DMC country goals should be supported while integrating environment into them (Pakistan, Nepal and India). **Paragraphs 10 and 43-44** note the need to integrate environmental considerations into the national goals of DMCs.

31. **Environmental Governance.** Stakeholders in Bangladesh, Pakistan, India, Sri Lanka, PRC, Denmark and Canada thought a greater emphasis should be accorded to improved environmental governance, with increased assistance toward ensuring regional and global environmental governance. Part of this includes assisting in the regular updating of DMC environmental policies, and inclusion of mechanisms to translate those policies into action and monitor their implementation. Those in Australia cautioned, however, that “institutional change needs to be brought about by internal and democratic political processes and at a pace acceptable [to the DMC]. . . . The paradigm of fast track growth and global economic competitiveness drives the rapid pace of change that marginalizes some groups ill-equipped (lack of social capital) to deal with fast-paced change” (international NGO). The policy needs to include ways to strengthen access at the community level to decision-makers and governments for the long term and ways to build good governance and institutional structures (Australia workshop). These points are valid. ADB assists DMCs, in environment policy development and integrating environmental considerations in all sectors, and in improving environmental governance. See **Part II, Section C**. Participants from several DMCs would like to see ADB’s procedures accommodate for decentralization, and have mechanisms for local government units to access funds directly. ADB supports greater devolution of responsibility and authority to local governments where appropriate; see **paragraphs 40 and 82**. As a rule, ADB prefers that the obligations related to its loans be borne fully by the agencies that ultimately use the loan proceeds; see **ADB’s governance policy**. Some readers thought market-based instruments, such as users fees and cost recovery, should be addressed. We have added a section on market-based instruments; see **paragraph 46**.

32. **Performance-Based Lending.** Respondents from 6 DMCs and 1 developed country mentioned performance-based lending. Will future lending decisions be based on previous compliance? All support incentives for borrowers whose environmental management is good, but some are concerned that the policy lacks a clear definition of a negative impact, and strings attached to a project might lead to environmental destruction. It also must be recognized that the level of managerial capacity for projects varies from country to country. Participants at the Lao PDR workshop highlighted the need for ADB’s environment policy to be integrated with national policies and national conditions. ADB should support the capacity of countries to achieve a better standard of environmental management. The working paper includes a brief

description of **ADB's performance-based allocation system** (link to para 76). A regional technical assistance program is also envisaged to develop country environmental performance assessments.

33. **Economic Analyses.** Stakeholders from 6 DMCs and 1 developed country thought the policy document should highlight financial/economic decision-making mechanisms. Mechanisms advocated included cost-benefit analyses, environmental resource auditing, and natural resource valuation. ADB's *Environmental Assessment Guidelines* encourage the incorporation of environmental costs and benefits in project economic analysis and in the environmental assessment process, and provide a process tool for economic valuation of environmental impacts.

G. Poverty-Environment Nexus

34. **“Poor” Defined.** Participants from two DMC workshops highlighted the need for a definition of “the poor,” recognizing the heterogeneity among the poor. Several readers from the South Pacific noted that there is a different view of the “poor” there, and the poverty focus is not as relevant. ADB recognizes that the “poor” are not a homogeneous group (http://www.adb.org/Documents/Policies/Poverty_Reduction/challenge.asp?p=policies), as supported by the comments.

35. **“Poor” as Victims.** In the global context, many feel the rich are the worst polluters and the poor are the victims of environmental degradation. Two international NGOs (United States and Australia) even stated that poverty may be *caused* by large-scale development projects like those of ADB. The working paper emphasized the vulnerability of the poor in several places; see **paragraphs 2, 6-8, and Appendix 1**, among others. ADB's **Poverty Reduction Strategy** is explicit that economic growth is not sufficient for reducing poverty; see **paragraphs 3 and 4** of the environment policy working paper. Development projects are intended to reduce poverty; if community members are involuntarily affected, ADB's **Involuntary Resettlement Policy** sets out steps for planning compensation and other assistance to replace assets, resources, incomes and livelihoods of all those affected, so that no one is disadvantaged.

36. **Poverty-Environment Link.** Stakeholders from all groups challenged ADB to strengthen the link between poverty reduction and environment in the draft working paper. One DMC (Philippines) read the paradigm as poverty reduction *versus* the environment, and one developed country (Australia) thought the policy *accepts* poverty rather than working toward poverty reduction. The environment policy is premised on the link, and the text on relationship between poverty and environmental degradation has been enhanced in **paragraphs 6-9**. The policy statement now clearly outlines poverty reduction as one of its thrusts (**paragraph 29**).

H. Transboundary Issues

37. **General.** Readers applauded the policy's emphasis on transboundary issues. Some participants (Hong Kong, China; Nepal; and Philippines) noted the need to strengthen this framework, especially in facilitating the mitigation of transboundary issues. Vietnamese participants highlighted the need to develop appropriate regulations at the subregional and regional levels. A description of how ADB works with DMCs to address transboundary concerns may be found in the sections on **Maintaining Global and Regional Life Support Systems** (link to para 49).

38. **International Agreements.** The policy should explicitly speak on ADB's role in implementation of these agreements; many nations are ignorant of the provisions therein. Yet, ADB should be careful to respect each country's foreign policies (government/Pakistan and Samoa, aid agency/Samoa). When selecting candidate agreements, ADB should remain flexible (aid agency/Samoa). ADB should help identify the tools and mechanisms to translate these agreements into action (government/Sri Lanka). In general, participants noted the need for recommendations made at relevant international fora to be addressed in the policy. The working paper indicates how ADB supports DMCs to meet the demands of international agreements; see paragraphs 49-52, and 91.

39. **Globalization.** A few (academe/India, NGO/Australia and Nepal) stated their view that the poor are often marginalized in an open trade and investment regime. The policy "should take note of the fiscal stress on the economies of the developing countries and enable them to tide over the transition period [toward globalization] with minimum adverse implications." (academe/India). "Free market, globalization and privatization of natural resources are the main causes of environmental problems and [this] is not reflected" (NGO/Nepal). ADB's Poverty Reduction Strategy is designed to address the needs of the poor in a development context. In turn, the environment policy will ensure environment and natural resource management activities are in support of the Poverty Reduction Strategy.

I. Information-Education-Communication (IEC)

40. Participants from 15 DMCs and 3 developed countries suggested the need for ADB to develop an IEC strategy in its environment policy for disseminating information and environmental awareness-raising. We included a paragraph on promoting education, public awareness, and capacity building in paragraph 48.

41. **Access to Information.** ADB should proactively disseminate information (in local languages) and solicit input and participation from local governments, organizations and communities. Local stakeholders need direct access to information during all stages of project design and implementation, and simply placing documents on the web once approved is insufficient. "The information should be released to the areas related to the projects" (NGO/PRC). In addition, there should be a direct feedback mechanism, or local comments might be "filtered" by executing agencies without ADB's knowledge. For general access to information, ADB adheres to a public disclosure policy. For information regarding environmental activities, ADB's *Environmental Assessment Guidelines* stipulate how documents must be made public. Participation is encouraged in ADB's assessment process, and ADB requires that appropriate consultations are conducted (including notification and disclosure of information). ADB also encourages governments to provide stakeholders access to information on environment and development (see paragraph 47). Also see the section on Public Involvement and Information Access (paragraphs 67-69).

42. **Community Awareness-Raising.** Some readers thought the language of the draft working paper (paragraph 48, August 2001 version) demonstrated a top-down attitude. Participants in general thought the policy should address ways to enhance community environmental awareness. This education process should be culturally-sensitive and two-way, respecting local knowledge and management of resources. Many of ADB's technical assistance projects are designed for environmental education and awareness-raising; some are geared expressly toward using local knowledge. We have included a paragraph on promoting

education, public awareness and capacity building in paragraph 48. The role of traditional knowledge is also mentioned in paragraph 82.

J. Capacity-Building

43. All types of stakeholders from 10 DMCs and 2 developed countries indicated the need for enhanced measures for capacity-building in DMCs. Existing institutions, local government units, NGOs, peoples' organizations, and the private sector are among the target constituents. Many local groups lack the confidence needed, due to fear of corruption, political will and financial and human resource management. ADB's capacity-building efforts date back to its inception and are central to its development mission, as stated in paragraph 11. References to capacity building at all levels are included throughout the working paper.

K. Sustainable Development

44. A diverse subset of stakeholders from 2 DMCs and several developed countries suggested the environment policy should be broadened to a sustainable development policy. ADB uses the term "sustainable economic growth," which defines poverty as a by-product of economic efforts. "Sustainable development is more encompassing, with environmental 'regeneration' and conservation being just one major area of attention (government/Philippines)." The environment policy may be viewed in the context of ADB's efforts to assist DMCs to move toward sustainable development. It is not a sustainable development policy, which would need to address a whole range of other issues currently addressed in separate policies. The environment policy is intended to complement ADB's other crosscutting policies and strategies, not duplicate them.

L. Public Participation

45. The majority of reviewers (15 DMCs and 6 developed countries) from all stakeholder groups thought the sections on public participation were weak. A more proactive approach is necessary.

46. **General Stakeholder Participation.** All stakeholders (beyond government – includes private sector, academe, NGOs, POs, and affected individuals) should be involved in policies, projects and programs at all stages (from design to monitoring/evaluation). The policy should outline the structure and mechanisms for systematized stakeholder participation. The monitoring process should ensure that affected stakeholders were listened to and follow-up actions taken. "Only with such an approach will there be checks and balances on unrepresentative political processes, where and when they occur, and to mitigate the development of client states (international NGO/Australia)." "It's a process . . . for first of all defining the real problems as they are seen by affected stakeholders and to also help identify solutions, alternatives, plans, etc. (NGO/Sweden)." Several participants (Pakistan and Australia) asked for a clear definition of participation. Others emphasized the need to ensure the level of participation does not vary depending on DMC standards, as the draft working paper stated. If a country does not allow for much participation, that should not be acceptable to ADB. On the other hand, one government representative from Bangladesh who responded to the overview document thought the inclusion of civil society should not be the policy of ADB, but rather of the individual DMCs. ADB agrees that stakeholder participation is important at all stages of its environmental activities. To make

this more explicit, we've added a section on public involvement in **paragraphs 67-69**. The responsibility for participation rests with the borrower; ADB requires the borrower to conduct appropriate consultation and solicit participation from stakeholders. The issue of requiring participation applies to ADB-wide business procedures, and not that of the environment policy and ADB's environment management efforts.

47. **Community Involvement.** Many international NGOs and workshop participants from one DMC (Australia, Philippines, Samoa, and Sri Lanka) indicated the need for the policy to articulate the importance of protecting the rights of local communities to manage their natural resources. Governance should be community-based, bottom-up. This is the key strategy for environmentally sustainable development. The policy should outline concrete mechanisms for involving local affected communities. There should be specific efforts to listen to the poor, vulnerable, women, children, and potentially displaced persons, valuing local culture and knowledge. ADB and DMC governments must not impose "from the top," but rather the areas of intervention should be identified at the grass roots. Local people must be involved in decision-making, and all stages of development planning, implementation and evaluation. Some believe affected stakeholders should have the opportunity to reject the project, and consensus should be reached. We agree that natural resource management activities should be community-based, and have included references in **paragraphs 38, 79 and 82**. For example, ADB has a technical assistance project in the Pacific on natural resource management using traditional local knowledge. Affected stakeholders should be provided project information, and dialogue about proposed projects should ensue early in the preparatory phase. ADB's *Environmental Assessment Guidelines* will provide further details.

48. **Role of NGOs.** Many participants also emphasized the need for greater NGO involvement, in decision-making, as independent "watchdogs" for compliance, in policy implementation – in the entire project and program cycle. "The most crucial institutional barrier is the intolerably heavy and politicized bureaucracy through which the ADB operates. Non-governmental institutions do not receive comparable status in ADB's consultations or in program implementation" (government/Sri Lanka). The ADB's current inclusion of NGOs in its activities was seen as "token" by some. ADB is committed to strengthening civil society's participation in the development process through its NGO Network (opened in March, 2001). See www.adb.org/NGOs for how NGOs can become more involved with ADB.

M. Monitoring and Evaluation

49. The category of highest response (18 DMCs and 4 developed countries) was in the area of monitoring and evaluation.

50. **General.** All respondents for this category noted that the one sentence attributed to monitoring and evaluation in the February 2001 and August 2001 drafts was insufficient. How will the policy and ADB interventions be monitored for compliance? "ADB and member states should agree and develop appropriate legal, technological innovation and other mechanisms and remedies to ensure compliance . . ." (Nepal). The paper should also address who is responsible for compliance. Projects and their environment management plans need to be reviewed for compliance, through a strong evaluation and monitoring unit, and an on-site monitoring mechanism. A US-based international NGO suggests a detailed project review at least once a year, and routine program/sector loan review. We greatly enhanced the section on monitoring and evaluation; see **paragraphs 70-74**.

51. **Local Community Involvement.** A mixed group of participants noted the need for monitoring and evaluation mechanisms to engage affected communities. Typically, the community is forgotten in such procedures. Project reports pass several layers and may in the end show positive results, even if it is otherwise, some said. Others reminded that communities might not even be aware of what is happening. The *Environmental Assessment Guidelines* provide a tool for ADB staff to work with DMCs to involve stakeholders in the environmental assessment process. ADB encourages its borrowers to take advantage of local knowledge and expertise in its monitoring efforts, and opportunities community involvement are discussed with the borrower when the environmental management plan is developed.

52. **Third Party Monitoring.** Several participants from Australia, Hong Kong, Pakistan, PRC, and Indonesia (mostly from NGOs) indicated the need for compliance to be independently monitored. “ADB should provide guidance to establish a mechanism of independent environmental supervision and inspection” (NGO/PRC). “ADB should avoid conducting microscopic environmental monitoring However, independent environmental checker could be considered by ADB to provide third party QA” (private sector/Hong Kong, China). ADB advocates using third parties to monitor compliance of its projects as deemed appropriate on a project-by-project basis.

53. **Standards.** NGO readers from the Australia, Philippines, and Sweden pointed out the lack of standards, performance indicators, targets, and monitoring criteria in the policy, other than that of the DMCs. One government representative in Cook Islands recommended that these criteria should come from national and local legislation, and not imposed by ADB. ADB does not advocate a certain set of pollution standards. ADB’s environmental standards are embodied in a qualified assessment process that determines what needs to be done.

54. **Enforcement in DMCs.** A diverse segment of participants think enforcement of the policy in DMCs should be strengthened. “The policy should make an explicit statement to the effect that environmental management interventions are non-negotiable” (NGOs/India). Incentives should be considered to those who enhance the environment, as well as sanctions for non-compliance. Some from the Philippines thought ADB expects DMCs to comply without regard to different capacities to respond. Another from Samoa thought penalties are not a good strategy, but ADB must be flexible to accommodate DMC needs. The **fifth policy element** (link to para 57) will be subject to ADB’s inspection policy, while the other elements are aspirational. Overall implementation of the environment policy by ADB will be monitored by ADB’s **Regional and Sustainable Development Department**.

N. Environmental Topics

55. Many participants mentioned the need for different topics to be addressed or strengthened in the environment policy working paper:

56. **Coastal Resource Management.** Three readers from Cook Islands, Indonesia, and Lao PDR mentioned the need for ADB to protect coastal and marine natural resources, including addressing the issues of depleting stocks, and to stress these activities in the policy paper. ADB provides lending and technical assistance for coastal resource management, as mentioned in **paragraphs 79 and 82**. The **Bank’s Policy on Fisheries** also addresses this issue.

57. **Waste Management.** Participants from the Pakistan and Viet Nam workshops, and a government reader in Sri Lanka, want waste management, reduction, and disposal issues to be

addressed in the policy. ADB provides lending and technical assistance for waste management, as mentioned in **paragraphs 39, 40, 75, and 79**.

58. **Water.** Watershed management and groundwater and surface water pollution should be included, according to workshop participants in Bangladesh, and government readers in Pakistan, and Sri Lanka . See [ADB's Water Policy](#).

59. **Gender.** NGO participants from workshops in India, Nepal, and Pakistan, as well as mixed groups from the Bangladesh and Indonesia workshops, would like to see emphasis given to women's participation, needs, roles, and the environmental impacts on women as a result of development interventions. Gender considerations are being mainstreamed in all ADB operations; see ADB's [Gender and Development Policy](#).

60. **Natural Resources Management and Conservation.** Participants from the Cook Islands, Denmark, Finland, Indonesia, Lao PDR, Philippines, and PRC, and thought the working paper should emphasize the protection, conservation and sustainable use of natural resources, including biodiversity resources, and sustainable agriculture and forest management. Natural resource management is discussed throughout the working paper and its action plan.

61. **Alternative Energy.** A few readers from Pakistan, Philippines, Samoa, and Sri Lanka identified alternative energy development as a focal area. Renewable energy technologies are one of the areas of ADB assistance, as mentioned in **paragraphs 79 and 41**.

62. **Pollution.** Workshops in Bangladesh, Lao PDR, Nepal, PRC, and Viet Nam thought the working paper should further emphasize pollution reduction and prevention, especially in urban areas. Readers from Bangladesh and Vanuatu want greater focus on climate change principles. Pollution and climate change are addressed throughout the working paper as appropriate.

63. **Green Procurement.** All participants in the United States, as well as NGOs from India and Nepal, want to see environmentally friendly procurement principles and procedures adopted by ADB. We have added a section on environmentally responsible procurement (**see paragraph 75**).

64. **Appropriate Technology.** Readers from Sri Lanka, Pakistan, the Philippines and India would like to see more emphasis on appropriate technology and its delivery mechanisms (see **paragraphs 36 and 52**).

65. **POPs.** Participants from Pakistan and Sweden noted the absence in the draft working paper of persistent organic pollutants, including the Stockholm Convention. See **paragraph 50**.

66. **Culture.** NGO readers from India, Nepal, and the Philippines pointed out the lack of "culture" present in the working paper. The document could have been written for the environment in any region; it lacks an Asian face. It also fails to address cultural diversities, ethnic equity. "The socio-cultural context of the policy needs to be clearly stated in the document and associated sensitivities recognized" (India). "ADB should use cultural heritage as a tool for environment management, and integrate indigenous knowledge and traditional practices in environmental conservation policy" (Nepal). The policy reflects the realities of the Asia and Pacific Region. Since the policy will guide ADB's work in such a culturally diverse region, a flexible approach is adopted.

67. **Population.** Workshop participants from Pakistan and the Philippines noted the need to include the role of population dynamics and their relationship to environment. See [paragraphs 1 and 6](#).

68. **Tenure.** NGOs from Pakistan, Philippines, United States, and Vanuatu, , would like to see the policy address land tenure conditions, property rights, and access issues. ADB is presently drafting a rural development policy that will address the above issues.

69. **Resettlement.** Workshop participants from Vietnam and readers from one international NGO want ADB to enhance its policy on resettlement and compensation, making certain that legally binding agreements are in place before funding a project. ADB's [Involuntary Resettlement Policy](#) addresses these issues.

70. **Livelihood.** Income generation schemes and livelihood development for the poor should be emphasized, according to readers in Australia, Samoa, Sri Lanka, and the Marshall Islands. We've strengthened references to livelihood generation assistance throughout the document.

71. **Research.** Those in Bangladesh and the United States would like to see the role of environmental research stressed in the development and implementation of projects and their monitoring. See The [Bank's Policy on Agriculture and Natural Resources Research](#).

O. Principles Underlying the Environment Policy

72. In the February 2001 and August 2001 drafts of the working paper, an entire section was dedicated to Underlying Principles. Several of these were included as Key Operational Principles in the *Note on the Draft Environment Policy Working Paper*. A large and diverse segment of respondents spoke about these principles.

73. **Implementation.** Participants from India, Sri Lanka, Philippines, and the United States wondered how these principles will be "operationalized." Most felt they were good principles, but in the context of DMCs in Asia, they are "both unimplementable and unenforceable" (government/Sri Lanka). They appear to have a "first world bias" (mixed group/Philippines). They lack interpretation in the policy.

74. **Definitions:** Several readers noted the need for clear definitions of terms such as "environmentally sensitive," "significant," and "serious." These can be interpreted differently and subjectively. One group from the Philippines also questioned what was meant by "potentially impacted third parties."

75. **Least Cost.** Readers from the Philippines, Sweden, and the United States found this principle misleading and ambiguous.

76. **Environmentally Sound Technologies.** One international NGO suggested including capacity building in facilitating environmentally sound technology transfer, in order to prevent local stakeholder exclusion.

77. **Poor to be Better Off.** One international NGO thought this principle only includes the benefits of poor communities, and another statement should be added to ensure target communities not be worse off socially, environmentally or economically as a result of a project. In general, NGOs from India thought the principles outlined under "economic efficiency and fairness" could compromise the expectations, aspirations, and stakes of local communities.

Another international NGO thought the term for the section misleading, since economic efficiency can undermine notions of fairness (which are politically and culturally specific). “Caution must be exercised to ensure that a political determination through broad based consultation and participation involving all stakeholders has been reached before implementation” (Australia).

78. **Polluter Pays.** Participants from 5 DMCs and 1 developed country thought the polluter pays principle as sound but difficult to operationalize. Damage must be valued without reasonable doubt. Polluters are difficult to identify. Also, “rich” parties may choose to pollute and pay for it.

79. **Precautionary Principle.** Readers from the 3 DMCs and 1 developed country who responded to this issue were concerned that the language was misleading and does not reflect the full definition of precaution in principle 15 of the Rio Declaration. It should be edited.

80. The Policy Statement (**paragraph 29**) now clearly articulates that ADB follows the basic principles of sound environmental management, as outlined in the Rio Declaration under Agenda 21. To improve readability we removed from the working paper the detailed listing of principles of environmental law.