

ASIAN DEVELOPMENT BANK

ENVIRONMENT POLICY

OF THE

ASIAN DEVELOPMENT BANK

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ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CBD	–	Convention on Biological Diversity
CCD	–	Convention to Combat Desertification
CDM	–	clean development mechanism
CEA	–	country environmental analysis
CES	–	country environmental strategy
CESI	–	Committee on Environment and Social Impact
CSP	–	country strategy and program
DMC	–	developing member country
EIA	–	environmental impact assessment
EMP	–	environmental management plan
ERP	–	environmentally responsible procurement
GDP	–	gross domestic product
GEF	–	Global Environment Facility
GHG	–	greenhouse gases
IDB	–	Inter-American Development Bank
IEE	–	initial environmental examination
LTSF	–	Long-Term Strategic Framework
MEA	–	multilateral environmental agreement
NGO	–	nongovernment organization
OECD	–	Organization for Economic Cooperation and Development
PCR	–	project completion report
PRC	–	People's Republic of China
SPREP	–	South Pacific Regional Environmental Program
TA	–	technical assistance
UNDP	–	United Nations Development Program
UNEP	–	United Nations Environment Programme
WBES	–	World Bank Environment Strategy
WHO	–	World Health Organization
WWF	–	Worldwide Fund for Nature

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I. POLICY CONTEXT

A. The Impetus for an Environment Policy

1. During the past four decades, the environment and natural resources in the Asia and Pacific region have come under intense pressure. Rapid population increase, dramatic changes in production and consumption patterns, and massive rural-to-urban migration have transformed the way environment and natural resources are used. Environmental degradation in the region is now pervasive, accelerating, and largely unabated. This is manifested in polluted air, depleted biodiversity, degraded lands, exhausted aquifers, and polluted aquatic and marine ecosystems, as well as increasing exposure to hazardous and toxic wastes (Appendix 1). People's health and longevity have suffered, natural resource-based livelihoods have been compromised, and ecosystem services and resources that underpin long-term economic development are at risk.

2. The Asia and Pacific region has had impressive economic growth in the recent past. This growth allowed a decrease in the incidence of absolute poverty, significant increases in per capita incomes, and notable improvements in social indicators. Unfortunately, improvements in the quality of life have been uneven across and within countries of the region. Indeed, the region is still home to almost two thirds of the world's poor. Moreover, Asia's economic growth has been accompanied by resource depletion and environmental degradation threatening the physical security, economic well-being, and health of many of the region's people, especially its poorest and most vulnerable. While everyone is affected to varying degrees, the poor have tended to bear the brunt of environmental degradation. At the same time, due to their lack of access to resources and services, exacerbated by inadequate or ineffective policies and institutions, the poor are often themselves forced to deplete or degrade resources to survive.

3. Economic growth alone is no longer considered sufficient to reduce poverty. The economic, social, and environmental policies that shape the process of growth and development must also address the needs of the poor and must ensure the sustainable use of resources on which continued growth depends. These considerations led the Asian Development Bank (ADB), in 1999, to adopt its Poverty Reduction Strategy, elevating poverty reduction as the overarching goal of the institution. The strategy embodies an understanding of the inextricable relationship among the objectives of economic efficiency, social development, and environmental protection. Likewise, ADB's long-term strategic framework (LTSF),¹ which responds to the poverty reduction challenges of the region and the Millennium Development Goals, embraces environmental sustainability as a strategic crosscutting theme.²

4. International development agencies including ADB have therefore recognized the need to better integrate environmental considerations into all operations from the earliest stage, moving upstream toward a more strategic and comprehensive approach beyond operational policies targeted only at environmental assessment of individual projects (Appendix 2). ADB has already recognized the need to commit substantial knowledge and financial resources to assist its developing member countries (DMCs) to (i) improve the quality of life through targeted environmental and natural resource management interventions that reduce poverty, (ii) improve policies and institutional frameworks to make economic development sustainable, and (iii) help

¹ ADB. 2000. *The Long-Term Strategic Framework of the Asian Development Bank (2001-2015)*. Manila.

² ADB's strategic agenda is divided into three core areas of intervention, consonant with the poverty reduction strategy: (i) sustainable economic growth, (ii) inclusive social development, and (iii) governance for effective policies and institutions. The strategic agenda is complemented by three crosscutting themes: (i) promoting the role of the private sector in development, (ii) supporting regional cooperation and integration for regional development, and (iii) addressing environmental sustainability.

address the global environmental issues that threaten the planet in the longer term. At the same time, as highlighted in *Asian Environment Outlook 2001*,³ powerful driving forces such as globalization, technological change including rapid advances in data processing and information communication technology, and the growing role of civil society and the private sector, are providing new opportunities and challenges for environmentally sustainable development.

B. Five Major Challenges

5. Extensive stakeholder consultations for the development of ADB's Environment Policy (Appendix 3) have confirmed a shared view that ADB must address five major challenges: (i) helping to ensure that environmental resources on which the poor depend are sustainably managed and that environmental quality is improved, (ii) enhancing the sustainability of the economic development process by correcting market and policy failures and bringing about institutional change to ensure accelerated flow of resources for environmental improvement, (iii) contributing to the maintenance of global life support systems and addressing regional transboundary issues, (iv) engaging a wide range of stakeholders to tackle more effectively Asia's environmental problems, and (v) strengthening internal systems and procedures to address environmental considerations in ADB operations. These challenges are outlined below.

1. The Need for Environmental Interventions to Reduce Poverty

6. Environmental degradation is taking its toll on poor people and foreclosing their options for healthy and productive lives. Poverty-environment linkages take different forms in rural and urban contexts. In rural areas, critical issues concern access to and depletion of natural resources such as land, forests and their products, water, and fisheries. Local communities depend on the biological resources provided by the forests, land, and marine environments for their livelihoods, for food, clothing, shelter, energy, and medicine. Adverse human interventions and activities, climate changes, increased numbers of natural disasters, and the pressures of poverty and population are accelerating the rates of resource loss and degradation. Combined with rural population pressure, the opportunities for the rural poor to survive on a diminishing natural resource base are marginal at best. Without intervention to improve management or rehabilitation, their choices are limited to abandoning their lands, usually by moving to the city, or further reducing the resource base upon which they depend.

7. In urban areas, the poverty-environment agenda relates to the disproportionate impact on the poor of overall use of environmental resources such as water or air as sinks for pollution or the disposal of human and industrial waste. In most Asian cities, and many Pacific island towns, the principal water bodies are heavily polluted with domestic sewage, industrial effluents, chemicals, and solid wastes. Wastes from the chemical, metallurgical, and processing sectors frequently contain toxic substances such as heavy metals, solvents, and organic compounds. These problems create huge costs in public health (high morbidity and mortality rates, notably among infants, young children, and women are pervasive due to pollution-related causes) and reduced productivity losses. It has been estimated, for example, that indoor air pollution alone causes more than a million premature deaths in the DMCs. Rapid and largely unplanned urban growth has resulted in serious overcrowding in slum settlements inadequately supplied with safe drinking water, sanitation, and other environmental infrastructure. This rapid urbanization has outpaced the development of environmental infrastructure and taxed responsive urban governance in many large cities.

³ ADB. 2001. *Asian Environment Outlook 2001*. Manila.

8. The Asia and Pacific region experiences 60% of major man-made and natural disasters worldwide. The region loses \$5 billion to \$10 billion per annum and experiences enormous human suffering when disaster strikes. Between 1987 and 1996, the total cost of damage as a consequence of natural disasters in Asia and the Pacific was estimated at \$51 billion. The poor and disadvantaged are especially vulnerable to natural hazards and are least resilient. Disasters are frequently caused by natural resource degradation and their severity is exacerbated by poorly planned human settlements and lack of basic infrastructure. The severity of natural and man-made disasters is greater in countries where prevention, preparedness, mitigation, and response capacities are inadequate. Many governments have noticed the linkages between deforestation, desertification, and coastal degradation and the increased frequency, severity, and costs of natural disasters such as floods, drought, and fires. DMCs need help to reduce hazard vulnerability and prevent disasters through improved natural resource management.

9. ADB is responding to increased recognition of the environmental dimension of poverty reduction by shifting from a reactive approach to environmental problems and environmental due diligence to a more proactive and strategic stance that actively assists DMCs to anticipate and tackle environmental issues. Environment was recognized as a strategic development objective in the mid nineties.⁴ This approach required ADB to balance its focus on economic growth in DMCs with support for protecting the environment, along with social development, improvement in the living standards of the poorest groups, and a reorientation of the public sector to meet these new priorities. ADB has provided almost \$8 billion for projects with environmental objectives, though a gap remains between the high policy priority attached by ADB to environmental issues, the financial outlay for projects having environmental objectives, and the attainment of positive environmental outcomes. The priority for environment lending will need to be on poverty relevant natural resource management and environment quality issues. A sharper focus on potentially replicable approaches is required to ensure that urgent environmental problems facing the poor in urban and rural contexts are prioritized and addressed.

2. The Need to Mainstream Environmental Considerations in Economic Growth

10. Stakeholders in development sometimes act as though the elimination of poverty and economic growth are distinct from environmental goals. Where environmental sustainability requirements have been identified, they are rarely fully integrated into economic development and sector policies even where these make obvious economic sense. It is estimated that the annual economic costs of environmental degradation already lie between 4–8% of gross domestic product (GDP) in various DMCs. Currently, public expenditures on the environment are less than 1% of GDP in many DMCs. Although DMCs have established legal frameworks and institutions for environmental protection, not all have adopted appropriate policies, regulatory systems, and institutional resources that ensure compliance and enforcement. Market and policy failures have led to environmental considerations being externalized from the development process. Ambiguous property rights have led to depletion of *de facto* open access resources. Perverse subsidies have encouraged economically irrational overuse of polluting inputs, such as agrochemicals. Without enabling policies that provide appropriate incentives, opportunities for private sector involvement in provision of environmental services have not been tapped. Unless greater attention is paid to these issues, the sustainability of economic growth may be compromised. In the absence of economic growth, poverty reduction prospects will be severely curtailed.

⁴ ADB. 1995. *Medium-Term Strategic Framework (1995-1998)*. Manila.

11. The emphasis of ADB's environment-related technical assistance (TA) has been on capacity building. ADB has been assisting DMCs, including the People's Republic of China (PRC) and India, to (i) establish and strengthen the capacity of national environmental and sector development agencies; (ii) introduce environmental assessment regulations and guidelines to ensure integrated environmental and development planning and management; and (iii) implement policy, legislative, and institutional reforms. ADB has also helped mainstream environment into the agriculture, natural resources, water resources, industrial, transport, and urban sectors in several DMCs. For example, in Indonesia ADB has focused on developing institutional capacity for environmental management within sector development agencies and supporting efforts to decentralize environmental management responsibility. At a national planning level, ADB has assisted in the preparation of national environment strategies, as in the case of Pacific island DMCs, and national frameworks for environmental management in high priority sectors, such as hydropower and roads in the Lao People's Democratic Republic. The growing emphasis on supporting DMCs in environmental policy integration, mainstreaming environment across development sectors, and strengthened capacity for compliance and enforcement needs to continue. A summary of ADB TA on environment is shown in Appendix 4.

3. The Need to Maintain Global and Regional Life-Support Systems

12. Life-support systems are the ecological processes that shape climate, cleanse the air and water, regulate water flow, recycle essential elements, and keep the planet fit for life. Human activities are rapidly altering these processes through pollution and the destruction and modification of ecosystems. Greenhouse gases are accumulating in the atmosphere, intensifying its heat-trapping properties and leading to climate change. Coastal ecosystems are rapidly deteriorating in many areas due to intense and mounting human pressure, including poorly controlled urban, industrial, commercial, tourist, agricultural development, and uncontrolled waste disposal. Human activities are also accelerating the loss of habitat and species and changing the conditions for evolution. A key concern is that the poorest DMCs are likely to bear the brunt of problems arising from climate change and sea level rise; increased drought and desertification; and loss of biodiversity, especially agro-biodiversity. Within the DMCs, the most poor and already vulnerable groups will be least able to cope with these changes. In the long term, the sustainability of economic growth and the very continuation of human existence will depend on the maintenance of global life support systems.

13. Managing the global common goods and addressing global environmental externalities will depend on effective DMC participation in intergovernmental negotiations and compliance with multilateral environmental agreements (MEAs). It will also require more active efforts to translate the broad principles and provisions of MEAs into meaningful frameworks for national and local-level implementation. In addition, DMCs will need to consider strategies and planning for local and national adaptation to global environmental changes. In recognition of this, ADB has begun to address the linkages among global, regional, and local environmental issues and the cooperation needed to maintain life support systems, and has supported regional and subregional cooperation on the environment through its regional TA program. ADB has also increasingly assisted DMCs in addressing global and transboundary environmental issues, including climate change mitigation and adaptation, biodiversity conservation, international waters, desertification in the PRC and central Asia, acid rain in northeast Asia, and impacts of atmospheric haze from forest fires in southeast Asia.

14. Overall support for transboundary issues has been and will continue to be grounded in regional cooperation. ADB has assisted South Asia in collaboration with (i) subregional organizations and the United Nations Environment Programme (UNEP) for development of a

subregional air quality management protocol; and (ii) the World Conservation Union (IUCN) to develop a regional coastal and marine resource management agreement, which covers several South Asian countries. ADB has been providing continued support in the Pacific and in many other DMCs for adapting to climate change. ADB has also been playing a key role in fostering regional cooperation and sustainable development in the Greater Mekong Subregion. A similar program is under way in the Central Asian republics where, in partnership with UNEP, ADB is helping to prepare and implement a regional cooperative environment action plan. Key considerations in determining future support include the need to (i) focus mainly on the interface between locally important and globally significant environmental issues; (ii) pay special attention to regional dimensions of transboundary issues and cooperation among countries; and (iii) mobilize new financial sources and modalities for cooperative action.

4. The Need to Work in Partnership with Others

15. ADB resources are small in relation to the environmental needs of the region. Combating environmental degradation while reducing poverty cannot be done in isolation. To be more effective, it is necessary to exchange knowledge and learn from the experience of other development agencies, nongovernment organizations (NGOs), the private sector, and academia. The resources and skills of all stakeholders from civil society, the private sector, and government will need to be mobilized to replicate and extend the impact of ADB's catalytic efforts. Strengthening existing partnerships and forging new ones will also enable DMCs to address issues that are of regional and global importance but cannot be addressed solely at the country level. Partnerships are also important to enhance coordination, as duplication between country-level frameworks for environment and sustainable development has sometimes caused confusion and strained limited human and financial resources in a number of DMCs.

16. During the last few years, environmental partnerships with subregional, regional, and international organizations have been instrumental in stimulating new ideas and assistance programs, increasing development impact from ADB-financed TA, and facilitating support from a number of bilateral agencies. Some organizations with which ADB has formed strategic partnerships include the Association of Southeast Asian Nations (ASEAN), Conservation International, the Global Environment Facility (GEF), IUCN, South Asian Association for Regional Cooperation (SAARC), South Asian Cooperation on Environment Program (SACEP), South Pacific Regional Environment Programme (SPREP), United Nations Development Program (UNDP), United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), UNEP, United States-Asia Environment Partnership, World Bank, and Worldwide Fund for Nature (WWF).⁵ Existing partnerships will need to be deepened, and new partnerships will need to be forged for emerging issues such as measurement of national environmental performance.

17. It is equally important to grasp the critical role of bilateral and international agencies in facilitating ADB's program of environmental assistance through targeted cofinancing. Such bilateral support from Australia, Canada, Denmark, Finland, Italy, Japan, the Netherlands, New Zealand, Norway, Spain, Sweden, and Switzerland and multilateral cofinancing from the GEF have enabled ADB to increase support to DMCs for improving environmental management. Expanded opportunities for such collaboration need to be explored and developed to meet the urgent needs of the DMCs, particularly with regard to poverty-environment initiatives (combating

⁵ ADB has formal memoranda of understanding specifically relating to or referring to cooperation on environment with GEF, UNDP, UNEP, and WWF.

land degradation and improving the urban environment), biodiversity conservation, global climate change, and environmental performance assessment.

5. The Need to Further Integrate Environmental Considerations in ADB Operations

18. Over the last 20 years, ADB has progressively incorporated environmental issues in its operations. This led to the formalization of environmental assessment requirements in ADB's operations manual in 1988.⁶ Since then, ADB has made good progress integrating environmental considerations into its operations, including adoption of guidelines and a systemized categorization procedure and monitoring information system that streamlined environmental review of proposed loan projects. In developing sector and thematic policies that guide ADB operations, crosscutting environmental issues have been addressed. Sector policies on fisheries, forestry, and water cover environmentally sustainable natural resource development and conservation, while the energy policy covers environmental issues in that sector. A review of the interrelationships between ADB's policy base and environmental issues, demonstrates that the various policies are consistent in addressing critical environmental concerns (Appendix 5). Despite progress made, ADB needs to continue to strengthen the integration of environmental considerations across all its operations. Based on two decades of environmental assessment and review experience the following areas need particular attention.

19. **Country Strategy and Program.** Environmental imperatives need to be firmly reflected not only in investment projects and program loans but also in country programming, sector strategies, and other policies. At the earliest planning stage, ADB seeks to ensure that environmental considerations are properly mainstreamed into country strategies (footnote 6). This has helped set the stage for environmental loans and the inclusion of environmental objectives in traditional projects. Nevertheless, country programming could be improved by increased and more informed dialogue with governments on policy reforms relating to poverty environment linkages and the sustainable use of natural resources. The revised ADB business processes⁷ require a critical and detailed evaluation of environmental issues before the country strategy and program (CSP) is finalized. While such assessments have been done for the last several years, including the application of country environmental indicators, the rigor and utility of the analysis has been inconsistent from country to country. Upstream environmental analysis needs to be more systematic and useful for guiding ADB strategy and programming.

20. **Consultation.** The consultation process with local stakeholders and groups affected by projects needs to be strengthened. It needs to be well planned and documented to avoid incomplete identification of environmental impacts and inadequate design and implementation of mitigation measures. The initial environmental examination (IEE) and environmental impact assessment (EIA) processes need to involve key stakeholders, thereby ensuring a stronger affirmation of the project's acceptance. Clearly defined requirements for consultation during the environmental assessment process will facilitate reaching this objective. At the DMC level, the extent of consultation is highly dependent on country-specific laws, regulations, and practices. Where environmental laws and regulations are less developed, additional efforts are needed to organize and improve the consultation process. There is also a need to harmonize ADB's consultation requirements in the environment assessment process with those of other multilateral financial institutions.

⁶ ADB. 1997. *Operations Manual*, Section 20 on Environmental Considerations in Bank Operations. Manila.

⁷ ADB. 2001. *Business Processes for the Reorganized ADB*. Manila.

21. **Implementation.** Implementation of environmental mitigation measures in ADB projects can be strengthened by clear specification and assignment of responsibility, earmarking of adequate funds, enhancement of implementation capacity, and support from local stakeholders. Environmental mitigation measures need to be better reflected in environmental provisions in contract, procurement, and tender documents. When mitigation measures are revised or supplemented to suit changes during implementation, often it is difficult to make such measures binding and fund them as well. Some environmental and social impacts that occur during implementation may go unreported because of lack of capacity within DMC oversight agencies. Progress reports submitted to ADB need to be improved to provide relevant and consistent data according to standard methodologies. Clear and monitorable environmental indicators are also essential and should be adequately specified during project design. There is a need for institutional strengthening in DMCs that do not have the institutional capabilities and resources to gather and use environmental monitoring data.

22. **Environmental Assessment as a Process.** Projects financed by ADB are normally designed at the feasibility level when submitted for loan approval by its Board of Directors. This means that the technical, economic, financial, environmental, and social viability of the proposed project has been confirmed. However, for some projects, there are uncertainties about precise location and physical details at the time of Board consideration. Such uncertainties exist for relatively straightforward transmission and transport developments because project detailed designs and final alignments are rarely completed at this stage. Sector development and financial intermediation loans specify the general scope of investments, but rarely the locations. Urban project design must be flexible at this stage in order that infrastructure and facilities are designed and constructed based on a community participatory demand process. The fact that planning is at the feasibility-level results in some uncertainty about the environmental impacts at the time of Board consideration. ADB needs to emphasize that environmental assessment is a process rather than a one-time report, so that necessary environmental analyses and management planning happen at appropriate times in the project cycle. ADB needs to strengthen its environmental loan covenants and implementation review to further minimize downstream risks.

II. THE POLICY

A. ADB Environment Policy Statement

23. The Environment Policy is grounded in ADB's Poverty Reduction Strategy and LTSF (2001–2015). 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 LTSF. The Environment Policy reinforces and complements the environmental issues and concerns addressed in ADB's sector and crosscutting policies.

24. 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 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.

25. The Environment Policy will be implemented in a flexible fashion. In general, policy implementation will be tailored to the specific needs and capacities of the DMCs. Country ownership will be a guiding principle, and the mix and depth of environmental interventions will depend on the country strategy and program process. However, the fifth policy element on integrating environmental considerations across all ADB operations will be applied uniformly by ADB to all ADB operations in all DMCs. As it is concerned specifically with internal procedures, implementation of this element of the policy will be subject to ADB's Inspection Policy.⁸

1. Promoting Environment Interventions to Reduce Poverty

26. ADB will assist DMCs to protect the health and productivity of the poor by improving environmental quality, and to enhance their livelihoods by improving natural resource management and 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, will seek to identify opportunities for environmental improvements and sustainable natural resource management for poverty reduction.

2. Mainstreaming Environmental Considerations in Economic Growth

27. ADB will assist 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

28. ADB will assist 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 MEAs, (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

29. ADB will build 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 NGOs and civil society entities, the private sector, multilateral and bilateral environment and development assistance agencies, subregional institutions, and international organizations.

⁸ As specified in the policy paper: ADB. 1995. *Establishment of an Inspection Function*. The policy paper does not include private sector operations within the inspection function.

5. Integrating Environmental Considerations in ADB Operations

30. ADB will address 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, 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 will identify opportunities to introduce policy reforms that provide incentives to improve environmental quality and enhance the sustainability of natural resource management.

B. Operational Content of the Policy

1. Environment Interventions for Poverty Reduction

31. ADB will help DMCs to pursue projects and programs to enhance environmental management and protect natural resources to increase the livelihoods and protect the health of the poor. ADB focuses on environmental improvement and sustainable natural resource management programs and projects that will make the greatest contribution to poverty reduction, and will support the poverty partnership agreements. Where possible, interventions will generate environment benefits not only at local and national, but also global levels. A key consideration will be to adopt a catalytic approach focusing on potentially replicable interventions, with emphasis on mobilization of additional resources. Within the overall context of the CSP process, poverty-oriented environmental programming is directed at three main areas of concern: (i) protection, conservation, and sustainable use of natural resources to maintain the livelihoods of the poor; (ii) reduction of air, water, and soil pollution that directly impacts the health and productivity of poor people; and (iii) reduction of vulnerability to natural hazards and preventing disasters.

a. Protection, Conservation, and Sustainable Use of Natural Resources

32. The priority areas for ADB assistance include (i) maintaining the flow of ecosystem goods and services to sustain the development process, and rural livelihoods in particular, including through the conservation and sustainable use of biodiversity; (ii) protection and improved management of freshwater systems, and coastal and marine resources; and (iii) prevention of land degradation, including desertification. ADB envisages a wide range of loan and TA support to DMCs encompassing the strengthening of national policy and institutional frameworks to provide appropriate incentives for improved natural resource management, including through community-based initiatives, building the capacity of relevant agencies and stakeholders at local level, strengthening rural support services and access to markets and appropriate technologies, and collecting data and generating knowledge.

b. Environmental Quality Improvement

33. By the year 2020, more than half of Asia's inhabitants will live in cities. The region's rapid increase in urbanization and industrialization will continue to create a host of environmental problems. It will also exacerbate existing ones related to the health of urban populations, especially the poor. Improving the urban environments in the region will require increased focus on the institutional problems of the inability to pay, low willingness-to-pay, weak capacity, lack of technological and engineering capability, and absence of appropriate policy and legal frameworks. To reduce environmental health risks, ADB will support governments to

(i) promote the development of environmental infrastructure and services (including water supply and sanitation) and address absence of appropriate policy, legal and enforcement frameworks; (ii) improve waste management (water, solid, and hazardous waste); (iii) reduce indoor and outdoor air pollution; and (iv) improve slum conditions.

34. Funding for environmental quality improvements is critical and is ultimately the responsibility of both the public and private sectors in DMCs. Users of water supply, wastewater management, and solid waste services should pay a fair and reasonable price for value received, although the needs of the population's poorest strata must be considered. In most urban centers in Asia, services must be improved to ensure that they are being provided in an economically efficient manner. Financial strategies that include investment and recurrent costs (operation and maintenance) must be adopted. Generators of industrial, construction, medical, and hazardous waste should be responsible for the cost of collection and disposal. Development assistance and government funding are insufficient to meet the needs for capital improvements in water supply and sanitation. To accelerate provision of necessary services, ADB will promote private sector participation and innovative financing mechanisms. ADB will foster the policy reform that must precede new investments. Issues of cost recovery, profitability of utilities and companies, access to capital, and service coverage and level must be addressed. ADB will support greater devolution of decision-making responsibility and authority to local governments as appropriate.

35. Industrial pollution will continue to generate severe environmental problems, unless cleaner production processes are introduced. Governments are beginning to recognize the potential resource savings from programs to promote cleaner industrial production. ADB will continue to assist DMCs to develop policy and institutional frameworks for integrating cleaner production in national, industrial, and relevant sector strategies. ADB is encouraging cooperation among government, the private sector, and academia for effective integration of environmentally sound practices (such as the use of best available technologies, cleaner production techniques, and demand-side management) into industrial development policy. Small- and medium-scale enterprises need to be a focus for pollution abatement as they provide employment for the poor, but also expose them and others to harmful levels of pollution. The power and transport sectors are also major sources of pollution. ADB will assist DMCs to consider increased emphasis on energy efficiency and renewable energy technologies, as well as cleaner fuels and long-term transportation and energy development options that minimize pollution.

c. Reducing Vulnerability to Natural Hazards and Preventing Disasters

36. Changes in the frequency and incidence of disasters in recent years are largely due to socioeconomic change and the impact of human activities on the environment. While increasing emphasis has been placed on disaster prevention and mitigation, most of the DMC effort has focused on post disaster relief and reconstruction. In addition to emergency reconstruction, ADB will encourage governments of disaster-prone countries to place greater emphasis on disaster prevention and mitigation through policy dialogue to highlight, for instance, the need for natural hazard and vulnerability mapping as well as the linkages between natural resource degradation and the incidence of disasters. ADB will strengthen its disaster mitigation activities by incorporating risk and vulnerability considerations in country strategies and in the design of projects in disaster prone areas, and by adopting guidelines and policies to address hazard vulnerability and disaster mitigation issues.

2. Mainstreaming Environmental Considerations in Economic Growth

a. Policy Integration

37. The interdependent goals of economic growth, social development, and environmental protection are managed today by institutions that tend to be independent and fragmented, and that respond to narrow mandates. ADB actively encourages the integration of environmental considerations and objectives at each level of policy development and decision-making, from general macroeconomic policies to improve the quality and equity of growth, to sector development policies. ADB will assist DMCs to establish coherence across sector policies and plans, so as to confront conflicts in environmental management and address policy trade-offs when they arise. In addition, ADB will encourage DMCs to adopt strategic environmental assessment of national development strategies and policies to ensure better integration of environment into policy making and program formulation. ADB will ensure that appropriate attention is placed on addressing environmental opportunities in policy-based lending.

38. Continued policy dialogue is critical to address the following issues: (i) institutional issues, such as integrated planning frameworks, decentralization of environmental management responsibilities, environmental management capacity in sector agencies, and integration of environmental concerns in national accounting and budgeting processes; (ii) financing and resource mobilization issues, such as financing modalities for urban environmental improvement, energy pricing, and public and private collaboration in pollution control; (iii) cross-sector resource management issues, such as river basin management of water resources and integrated coastal zone management; (iv) poverty-environment issues, such as sustainable use and conservation of biodiversity, and community-based resource management to combat land degradation; and (v) the role of traditional knowledge and livelihood systems.

b. Integrated Economic and Environment Development Planning

39. ADB will continue to refine the conceptual framework for integrated economic and environmental planning as well as its supporting tools and techniques. ADB will encourage and support DMCs to integrate economic, social, and environmental planning for subnational development planning. This approach enables consideration of economic, environmental, and social and cultural imperatives. National development strategies rarely contain sufficient detail for such integration. Local and project plans are usually too specific for such considerations. The key level of intervention therefore appears to be at the subnational level, where there is a remarkable paucity of integrated economic and environmental plans. Integrated economic and environment development planning at the subnational level in many DMCs may ultimately be pivotal in achieving sustainable development. A major constraint to improved planning and decision-making continues to be the lack of credible data on environmental status and trends in the DMCs. ADB will work closely with relevant partners to provide strategic long-term support for environmental data collection and management systems.

c. Strengthening Regulatory Systems and Environmental Governance

40. Many DMCs have recognized the relationship between effective environment regulatory systems and good governance. Weak administrative capacities and lack of judicial independence can hamper enforcement of environmental regulations. Resource management regimes that favor rent-seeking behavior can undermine public trust and lead to inefficiencies. Stakeholders do not always have relevant information on the environment, including information on products and activities that are likely to have a significant impact on the environment. Strong

and effective institutions are necessary for good governance, but they must also operate within the principles of accountability, transparency, participation, and predictability.⁹ To improve environmental governance, ADB will support and encourage the strengthening of legislative and regulatory frameworks; improvement of public accountability for environmental management responsibilities; development of more effective compliance and enforcement mechanisms; decentralization of environmental management capacity where appropriate; and improved delivery of urban environment services, particularly to the poor. ADB will provide demand-driven TA to strengthen the capacity of environmental management agencies to deliver core functions such as EIA review, environmental monitoring, setting and enforcing of environmental standards, and environmental awareness and training.

d. Market-Based Instruments and Other Policy Instruments

41. **Market-Based Instruments.** In a growing number of DMCs, there is scope to move beyond a sole reliance on a "command and control" approach to environmental protection, which is still the primary approach to controlling pollution in Asia. As regulatory systems mature, and where the proper enabling conditions are in place, market-based instruments (e.g., taxes, charges, and tradeable permits) could increasingly become useful components of the regulatory framework. ADB will assist DMCs to examine the relevance of alternative policy instruments, including market-based instruments, to identify options for greater flexibility, efficiency, and cost-effectiveness in pollution control and environmental management. Where appropriate, ADB will support DMCs to develop, test, and implement programs for introducing market-based instruments for environmental management to complement command and control regulatory systems. This will build on experience already gained in DMCs, for instance with emissions trading, tradeable effluent permits, and the pollution levy system in the PRC. ADB will ensure that its policy dialogue on market-based instruments and other environment policy innovations will not jeopardize efforts to meet the basic needs of the poor.

42. **Ecolabeling and Voluntary Compliance Programs.** ADB will assist the development in DMCs of ecolabeling, and other voluntary compliance mechanisms. Ecolabeling schemes select products on the basis of environmental criteria and distinguish them from similar products through a logo or some other form of accreditation. Ways to encourage voluntary participation and involvement of stakeholders include (i) pollution inventories, which provide information to understand pollution problems, identify priority actions, make informed decisions, and identify opportunities for waste minimization and cleaner production; (ii) the disclosure of information on enterprise performance, which allows the public to monitor progress and exert pressure for change; (iii) voluntary agreements reached on the basis of negotiations between environmental agencies and the private sector, or between industry and a community; and (iv) implementation of environmental management systems and the International Organization for Standardization (ISO) 14000 standard series.

e. Promoting Education and Public Awareness

43. ADB is committed to promoting education, public awareness, and capacity building for environmental management. Both formal and nonformal education are essential to changing people's attitudes and providing them with the capacity to assess and address their environmental concerns. It is also critical for achieving environmental awareness, values and attitudes, skills, and behavior for effective public participation. Environmentally literate communities and volunteer organizations can be instrumental in promoting compliance among

⁹ ADB. 1995. *Governance: Sound Development Management*. Manila.

polluting industries, especially in DMCs whose enforcement mechanisms are weak. ADB will consider assistance to DMCs to prepare or update national strategies for integrating sustainable development concerns into education at all levels. This may require setting up national advisory environmental education coordinating bodies with representation of various environmental, developmental, education, gender, and other social development interests, including NGOs, to facilitate partnerships and help mobilize resources. ADB will assist educational authorities, with help from civil society, to strengthen preservice or in-service training programs for teachers, administrators, and educational planners, as well as nonformal education, addressing the nature and methods of education for sustainable development.

3. Maintaining Global and Regional Life Support Systems

a. Responding to Multilateral Environmental Agreements

44. In the last few years, ADB has played a facilitating role in the context of multilateral environmental agreements (MEAs), including treaties, conventions, and protocols, particularly to support its regional cooperative efforts. The following criteria help determine where ADB assistance can be particularly helpful to DMCs: (i) ADB will concentrate on thematic areas in which it has already acquired expertise, instead of trying to build capacities in new areas; (ii) ADB will focus its participation on MEAs that have clearly identified roles for multilateral development banks; (iii) ADB participation will make a significant contribution to implementing the MEA within specific DMCs or at the subregional or regional level; and (iv) ADB participation will respond to DMC priorities for the relevant MEA. It is axiomatic that the precise nature of ADB operations in any DMC will be determined through the CSP process, and special attention will be paid to interventions that (i) deliver significant local level benefits as well as global environmental outcomes, (ii) assist vulnerable groups and countries to adapt to global environmental changes, and (iii) facilitate the mobilization of additional resources through the financial mechanisms of the respective MEA.

45. The MEAs that are consistent with these criteria are Agenda 21, the Convention on Biological Diversity, the Ramsar Convention on Wetlands, the Convention to Combat Desertification, the Framework Convention on Climate Change and its protocols, the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, and the Stockholm Convention on Persistent Organic Pollutants (POPs). In addition, regional agreements, such as the South Pacific Regional Environment Programme (SPREP) Convention, have been appropriately supported through standard ADB operations programs. Each of these MEAs may furnish specific themes for environmental activities (i.e., loans and TA), including those that help conserve environmental resources for the livelihoods and health of the poor. ADB will assist DMCs to incorporate relevant commitments and opportunities under these international environmental treaties. The opportunities may also be pursued in collaboration with agencies that have special responsibilities for implementing particular agreements. Some important provisions of these MEAs are summarized in Appendix 6.

46. **Financial Resources and Technology Transfer.** The special funding mechanisms under the multilateral environmental agreements offer a number of opportunities for DMCs (Appendix 6). However, most DMCs lack the financial, economic, and environment policies; human resources; and technological capacity to take full advantage of these mechanisms. ADB is committed to helping its DMCs access financial and other resources under the designated financial mechanisms of international conventions and protocols, such as the GEF. In light of commitments in MEAs on transfer of technology, the international community at large has an obligation to facilitate developing countries' access to environmentally sound technologies,

although this obligation does not supercede existing intellectual property rights. ADB is committed to supporting its DMCs to develop the capacity to effectively manage the process of technology transfer.

b. Supporting Regional and Subregional Cooperation on Environment

47. Many of the most critical environmental challenges confronting DMCs are regional, commonly occurring in a number of countries, or transboundary in nature. Regional cooperation is a crosscutting theme in ADB's strategic agenda. ADB will facilitate cooperation in sector and thematic areas through capacity building for decision makers and technical experts. Where relevant and appropriate, ADB will continue to support the development of environmental capacity in regional and subregional organizations to address regional public goods. ADB will

- (i) continue to support the Greater Mekong Subregion environment program;
- (ii) strengthen subregional cooperation for implementing the Central Asian Republics Regional Environmental Action Plan;
- (iii) expand the environmental cooperation program under the South Asia Growth Quadrangle;
- (iv) expand support for environmental cooperation among Pacific island DMCs;
- (v) continue to support the North-East Asian Subregional Programme of Environmental Cooperation (NEASPEC);
- (vi) support programs for transboundary resource management; and
- (vii) continue support for environmental programs among Southeast Asian DMCs.

4. Building Partnerships

48. The LTSF outlines ADB's commitment to work closely with other development partners to complement and build on one another's strengths. ADB is ready to assume a lead or supporting role among partners in the environment sector or around specific environmental themes in specific DMCs in line with comparative advantage and capacity. ADB will seek strategic alliances for regional or subregional cooperation with development and financial agencies, including United Nations programs and specialized agencies, the World Bank, the European Union and bilateral partners. ADB will also seek to expand its partnership agenda by developing ways of working closely with NGOs, community-based organizations, civil society, and the private sector. The partnerships will be pursued with other institutions at a corporate level, or will involve stakeholder coalitions for thematic issues at national or subregional levels. Where appropriate, partnerships may involve policy dialogue and cofinancing, as well as program and project design, assistance in implementation, and monitoring of development impact.

49. ADB will continue to develop partnerships with international financing and development institutions to increase harmonization of development environment policies and processes, facilitate dissemination of information and data, share environment research and analytical results, build cofinancing arrangements, and strengthen and replicate impacts.¹⁰ This will include the following: (i) ADB will initiate strategic alliances with key NGOs; (ii) ADB will actively increase its partnership with the GEF, and enhance its capacity to help DMCs identify and develop ADB-GEF pipeline opportunities; (iii) ADB will explore opportunities to enter into

¹⁰ ADB and UNEP intend to cooperate for the promotion of sustainable development and environmental management throughout the Asia and Pacific region. The memorandum of understanding was signed by both organizations on 4 September 2000. ADB has signed a memorandum of understanding on 26 September 2001 with WWF, developing a partnership that will contribute toward the sustainable management of natural resources.

partnership with other agencies to develop policy-based programs for environmental management in DMCs; and (iv) ADB will continue to participate in the Multilateral Financial Institutions Working Group on Environment to harmonize safeguard policies and procedures.

5. Integrating Environmental Considerations into ADB Operations

50. ADB has developed and refined its procedures for internalizing environmental considerations in its operations since the 1980s. ADB periodically revises its guidelines for environmental assessment to strengthen the process. In addition, ADB's organizational restructuring has emphasized ensuring compliance with ADB environmental and social safeguard policies by strengthening environmental management capacity in operations departments. An ADB chief compliance officer has been appointed, supported by the Environment and Social Safeguard Division.

a. Country Strategy and Program

51. **Country Environmental Analysis.** The revised ADB business processes give increased emphasis to preparation of upstream sector road maps and thematic analyses as fundamental elements of a sound CSP. Preparation of a country environmental analysis (CEA) will provide the necessary background information for informed decision making on environmental constraints, needs, and opportunities in a DMC, including those that impinge upon poverty partnership agreements. The CEA will outline environmental issues that are most important to a DMC's development strategy and describe ADB's role in helping remove the environmental constraints on the DMC's sustained development. The objective of conducting a CEA is to ensure that environmental impacts are considered on a par with traditional economic concerns when formulating policies, plans, and programs. The assessment is directed at the policy, program, and sector levels, and not at the project level. The CEA is envisaged as a process that is initiated before the CSP, and continues through CSP preparation to assess potential environmental issues associated with the CSP.

52. It is expected that CEA will evolve as experience is gained in its application. A CEA process will be defined to provide a systematic, replicable approach to the assessment. Guidelines on CEA will enable a more uniform analysis and effective use in the CSP process in DMCs. The CEA will be prepared by the regional department concerned, and will focus specifically on relevant sectors and institutional analysis of direct concern to ADB operations. The analysis will be tailored to the requirements of each DMC, and will purposefully build on complementary work undertaken 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 will support and facilitate the downstream environmental assessment of individual ADB-financed projects. The CEA will also provide a basis for monitoring country environmental performance.

b. Lending Operations

53. ADB requires environment assessment of all project loans, program loans, sector loans, sector development program loans, financial intermediation loans, and private sector investment operations. ADB's environment assessment process starts as soon as potential projects for ADB financing are identified, and covers all project components whether financed by ADB or by cofinanciers. The borrower is responsible for doing the environment assessment in accordance with ADB environment assessment requirements. The borrower is also responsible for implementing the recommendations of the environment assessment. ADB reviews the

environment assessment to ensure that it meets ADB requirements, and that it provides a sound basis for project processing and implementation. ADB also monitors the implementation of agreed environmental mitigation measures by the borrower.

54. **Environmental Classification.** Loans are classified into category A (with potentially significant environmental impacts); category B (with potentially less significant environmental impacts); category C (unlikely to have significant environmental impacts); and a new category, FI, (credit line for subprojects through a financial intermediary, or equity investment in a financial intermediary). A project's environment assessment category is determined by the category of its most environmentally sensitive component, including both direct and indirect impacts. An IEE is required for category B projects, and an EIA, requiring greater depth of analysis, for category A projects. No environmental assessment is required for category C projects although their environmental implications nevertheless need to be reviewed. The classification scheme helps conserve resources for project preparation, by ensuring that the greatest effort is deployed on projects with potentially the most significant adverse environmental impacts.

55. 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, Environment and Social Safeguard Division, for concurrence or further discussion as required. Final classification will be 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 is reconfirmed by the chief compliance officer at the time of the management review meeting. 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.

56. **Category FI.** A loan is classified as category FI if it involves a credit line through a financial intermediary or an equity investment in a financial intermediary. For ADB projects involving equity investment in a financial intermediary, where ADB funds will not finance specific subprojects but where the FI may have operations with adverse environmental impacts, the FI must adopt an appropriate environmental management system, comprising policy, procedures, and capacity, to comply with all relevant government environmental regulations and requirements in its operations. Where ADB involvement is a credit line for subprojects, the FI must adopt an appropriate environmental management system to cover the environmental assessment process of all subprojects to be financed with ADB funds. For category A and environmentally sensitive B subprojects above the free limit,¹¹ the IEE or EIA must be cleared by ADB before subproject approval. For these subprojects, ADB will review compliance with ADB environmental assessment requirements, including those related to consultation and information disclosure. FI projects where all subprojects will result in minimal environmental impacts are classified as category C. The requirements for the environmental management system are given in ADB's environmental assessment guidelines.

57. **Program Loans.** ADB requires that the environmental impacts of policy actions associated with program loans be evaluated, appropriate mitigation measures identified, and appropriately incorporated as further loan covenants. The environmental assessment will focus on the policy actions to be supported by the program loan. A matrix of potential environmental impacts of each policy action, together with appropriate mitigation measures, will be prepared,

¹¹ A monetary limit above which subloans require ADB's prior approval.

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”; the polluter paying for mitigation measures; least-cost mitigation; and ensuring 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 usefully applied in the preparation of program loans.

58. **Sector Loans.** Feasibility studies, including environmental assessments, are prepared for sample subprojects during formulation of a sector loan. An environment assessment framework needs to be in place to guide the environment assessment of subprojects and facilitate compliance with environment requirements of ADB and the Government during loan implementation. The executing agency must prepare an IEE for subprojects classified as category B, and an EIA for all subprojects classified as category A. Strategic environmental assessment can be undertaken as part of the comprehensive sector study to address social and environmental issues and the sector’s development needs, and identify potential win-win 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. Strategic environmental assessment is especially useful for assessing the cumulative and synergistic environmental impacts of a series of projects proposed for a sector.

59. **Private Sector Investments.** 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, to tailor environmental requirements to the project and expected subprojects. Nevertheless, the substance of ADB’s environmental assessment requirements for private sector investments is the same as that for the public sector. For direct investments and equity investments with specific identified projects or subprojects, the standard environmental assessment requirements for project lending will be applied. For indirect investments in the form of a credit line and equity investment operations through a financial intermediary where some subprojects are known only during project implementation, ADB’s environmental requirements for loans involving financial intermediaries will apply (category FI).

60. **Partial Credit Guarantees and Partial Risk Guarantees.** ADB provides partial credit guarantees to help cover all commercial and sovereign risks for a portion of the debt service, and partial risk guarantees to guarantee all or part of the debt service to against a specific list of risk events that may adversely affect project viability. These guarantees can cover a wide range of debt instruments including loans from private financial institutions and bond issues. In principle, any project eligible for ADB lending is eligible for the use of a guarantee. To ensure that standard criteria and procedures for ADB loans are followed, guarantees can be extended only in the context of projects and programs in which ADB participates.¹² Thus, ADB must have a stake in the project in the form of a direct loan or an equity investment. In all cases, ADB environmental requirements for loans or equity investments will apply, whichever is relevant.

61. **Environmental Assessment Reports.** For category A and B projects, the borrower prepares environmental assessment reports. The borrower also prepares the summary IEE and summary EIA reports. Important considerations in preparing the environmental assessment

¹² ADB. 1995. *Operations Manual*, Section 31 on Guarantee Operations. Manila.

include assessing induced, indirect and cumulative impacts, examining alternatives, achieving environmental standards, designing least-cost mitigation measures, developing appropriate environmental management plans and monitoring requirements, formulating institutional arrangements, and ensuring meaningful public consultation. ADB recognizes that conventional project-focused EIA has limited application to policy-based lending instruments, like program loans. Such interventions benefit from upstream policy analysis tools, such as strategic environmental assessment. The format of the environment assessment report for program loans is flexible, but includes a matrix describing the environmental consequences and mitigation measures for the policy actions underpinning the program loan. For FI projects, the environmental assessment report includes a description of the environmental management system to be applied by the financial intermediary.

62. Environmental Standards and Emission Levels. In determining appropriate environmental standards for ADB projects, ADB will follow the standards and approaches laid out in the World Bank's *Pollution Prevention and Abatement Handbook*.¹³ This handbook describes generally acceptable pollution prevention and abatement measures and emission levels. However, as in the case of the World Bank environmental assessment procedures,¹⁴ the environment 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 appropriate standards and emissions levels. In all such cases, the environment assessment report will provide justification for the levels and approaches chosen for the particular project or site.

c. Public Consultation and Information Disclosure

63. Public Consultation. ADB requires public consultation and access to information in the environment assessment process. For category A and B projects, the borrower must consult with groups affected by the proposed project and local NGOs.¹⁵ The consultation should be carried out as early as possible in the project cycle so that the views of the groups to be affected by the project are taken into account adequately in the design of the project and 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, the borrower will ensure that consultation will take place at least twice: (i) once during the early stages of EIA field work; and (ii) once when the draft EIA report is available, and prior to loan appraisal by ADB. The public consultation process needs to be described in the EIA and summary EIA reports. ADB's revised *Environmental Assessment Guidelines* describe the specific best practice procedures for consulting stakeholders and providing access to information.

64. Information Disclosure. Environmental assessment reports for ADB projects are intended to be accessible to interested parties, and the general public. The summary IEE/EIA reports are required to be circulated worldwide, through the depository library system, and are placed on the ADB website. The full EIA or IEE reports are also made available to interested parties upon request. ADB's "120 day rule" requires that the summary EIA, or in relevant cases the summary IEE, is made available to the general public at least 120 days before Board consideration of the loan, or in relevant cases, before approval of significant changes in project scope. The 120 day rule applies to all public and private sector category A and selected

¹³ World Bank. 1999. *Pollution Prevention and Abatement Handbook: Toward Cleaner Production*. Washington, D.C.

¹⁴ World Bank. 1999. *Operational Manual – OP 4.01 on Environmental Assessment*. Washington, D.C.

¹⁵ These consultation requirements are in harmony with those adopted by the World Bank.

category B projects deemed to be environmentally sensitive.¹⁶ To facilitate the required consultations with project affected groups and local NGOs, the borrower will provide relevant information on the project's environmental issue in a form and language(s) accessible to those being consulted.

d. Implementation, and Monitoring and Evaluation

65. Environmental Management Plans and Loan Covenants. Category A and environmentally sensitive category B projects require, as part of the environmental assessment process, the development of environmental management plans (EMPs) that outline specific mitigation measures, environmental monitoring requirements, and related institutional arrangements. 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 memoranda. 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, that (i) borrowers/executing agencies submit semiannual reports on implementation of EMPs, and this requirement is reflected in the loan agreements; and (ii) annual environmental review missions from ADB conduct a detailed review of environmental aspects of projects to ensure that the borrower/executing agency is implementing the EMPs and fulfilling the environmental covenants.

66. Project Completion Reports and Project Performance Audit Reports. To ensure proper documentation of the actual environmental impacts of the project and the success of the EMP, the project/program completion report (PCR) prepared by ADB's projects departments will include (i) a concise history of the environmental aspects of the project to completion, (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 environment section of the PCR is based on the facts documented in executing agencies' semiannual reports and review missions' back-to-office reports. To foster organizational learning and project improvement, ADB's Operations Evaluation Department prepares project/program performance audit reports which are independent evaluations and include an analysis of the effectiveness of the EMP in achieving the intended objectives. The reports also assess the PCR's environmental reporting for its adequacy, and focus on specific environmental issues as documented in the PCR.

67. Unanticipated Environmental Impacts. Where unanticipated environmental impacts become apparent during project implementation or after project completion, ADB will assist executing agencies and other relevant government authorities to assess the significance of the impacts, evaluate the options, and estimate the costs of mitigation. ADB will also help DMCs find the resources needed to mitigate the damage. Project completion review missions will place special emphasis on reviewing project-induced environmental concerns, and will be expected to make appropriate recommendations to address these. ADB resident missions will take on an increasing role in working with DMCs to resolve outstanding issues. If unanticipated impacts are identified after a loan is closed, ADB will encourage, and assist as required, the borrower to plan and implement remedial measures.

¹⁶ Environmentally sensitive category B projects include projects that are near environmentally sensitive areas, or that involve deforestation; loss of biodiversity; involuntary resettlement; the processing, handling, or disposal of toxic and hazardous substances; or activities that may be of concern a wide group of external stakeholders.

e. Environmentally Responsible Procurement.

68. ADB lending currently generates about \$5 billion worth of procurement per year. The associated activities could have considerable environmental, social, and economic impacts. ADB seeks to reduce consumption of harmful substances and promote responsible business without comprising the need for economy, efficiency, equal opportunity, and transparency. ADB will encourage borrowers and executing agencies to ensure, wherever possible, that the goods and services procured under ADB-financed projects have been produced in a responsible manner with a view to resource efficiency, waste minimization, and environmental considerations. Suitable provisions will be included in loan and project agreements as well as bidding documents to ensure environmentally responsible procurement. This will be done in coordination with other multilateral financial institutions, and with careful consideration to the need to ensure that the competitiveness of DMC firms is not compromised.

f. Performance-Based Allocation of Asian Development Fund Resources

69. ADB recognizes that the allocation of scarce Asian Development Fund (ADF) resources among borrowers should be based on needs and performance. ADB has adopted a performance-based allocation system for ADF resources keeping in mind concerns for objectivity and transparency, balanced by a reasonable degree of flexibility.¹⁷ ADB's country performance assessment system comprises the following common criteria that are applied across DMCs: (i) sustainable economic growth, (ii) socially inclusive development, (iii) governance and public sector management, and (iv) portfolio performance. Sustainable economic growth, in turn, has components of macroeconomic management, structural policies, and environment protection.

70. Under the system, DMC performance on environment protection is measured by the extent to which (i) a country has specific laws to protect the environment, and institutions to monitor and enforce such laws (evaluation will focus on development, implementation, and enforcement of laws and regulations); and (ii) the government is trying to eliminate environmentally damaging subsidies. Performance is also evaluated according to country-specific criteria. Where relevant and appropriate, the latter can be tailored to focus on specific environmental policy initiatives, institutional measures, and actions identified during the country strategy and programming process. ADB will implement monitoring and assessment systems to evaluate DMCs' performance on environmental protection criteria as an integral part of the performance-based allocation system and policy dialogue with DMCs.

III. IMPLEMENTING THE POLICY

A. Implementation, Monitoring, and Review

1. Implementation

71. The implementation of the Environment Policy will be guided by medium-term action plans, beginning with the period 2002–2005. Appendix 7 provides the implementation and monitoring matrix for the first medium-term action plan. The medium-term action plan is directed at the five major objectives of the Environment Policy:

¹⁷ ADB. R29-01: *Policy on Performance Based Allocation for Asian Development Fund Resources*. Manila.

- (i) assisting DMCs to invest in environmental protection and natural resource management for poverty reduction;
- (ii) strengthening the DMCs' capacities to mainstream environment in economic growth and development planning;
- (iii) enhancing international, regional, and subregional cooperation and the transfer of finance and technology for maintaining global and regional life support systems;
- (iv) building partnerships to tackle environment and natural resource management challenges; and
- (v) enhancing the integration of environmental considerations into ADB operations.

72. The regional departments and the Private Sector Department, supported by the Regional and Sustainable Development Department, will be responsible for policy implementation. Regional departments may formulate regional environment strategies, as in the case of the Pacific Regional Department, which is currently preparing a regional environment strategy for the Pacific. At the country level, the CSP process will be the principal entry point for tailoring policy implementation to each DMC's specific needs and priorities, based on the country environmental assessment process.

73. With the new organization structure, the regional departments are responsible for proposing the categorization of all loans in consultation with the Regional and Sustainable Development Department. Final categorization is approved by the chief compliance officer. The project teams are responsible for ADB's environmental assessment process, and environment specialists in regional departments will review environment assessment reports. Quality assurance of projects and programs will be undertaken by the project teams, with formal peer review of category A projects being done through the environment committee. Internal and external environment networks will facilitate cross-fertilization, knowledge sharing, and dissemination of lessons.

74. In 2002, ADB will implement new guidelines for environmental assessment. The new guidelines (i) institutionalize tools to integrate environmental concerns into country programming, (ii) have a transparent procedure for environmental categorization, and (iii) provide a mechanism for addressing ADB's lending activities in the financial sector and other lending activities where project or subproject designs are uncertain. The new guidelines

- (i) improve analysis and documentation leading to the environment categorization of projects at the concept stage, through use of standard checklists and internal consultation between concerned departments;
- (ii) strengthen CEA to better integrate environmental concerns in the CSP;
- (iii) introduce environmental due diligence and environmental management accountability for indirect financing through financial intermediaries as a means of ensuring compliance with ADB environmental assessment requirements;
- (iv) place greater emphasis on preparation and implementation of detailed environmental management and monitoring plans that must be produced during the environmental assessment process;
- (v) facilitate systematic compliance with ADB's policies;
- (vi) recommend environmentally responsible procurement; and
- (vii) strengthen public consultation and participation as an integral component of environmental assessment and management.

75. ADB will provide mandatory training for headquarters and resident mission staff on the new environment assessment guidelines, compliance with environmental measures during implementation, and other elements of the policy. ADB will also establish an effective mechanism for interdepartmental interaction and knowledge sharing through the environment committee and through internal networks along thematic and sector lines. Priority will also be given to further developing external networks for information sharing.

2. Compliance, Accountability, and Monitoring

76. The Regional and Sustainable Development Department has been created to (i) develop and monitor policies and guidelines for all thematic and sector areas, (ii) act as ADB's center for compliance oversight, and (iii) support regionwide cooperation work and linkages with regional institutions.

77. The regional departments will be responsible for complying with the policy. ADB's chief compliance officer, supported by the Environment and Social Safeguard Division, will be responsible for monitoring compliance with ADB's safeguard policies, and advising and assisting operations units. The chief compliance officer will advise ADB's Management on safeguard policy issues and will continue to review projects' compliance with ADB's safeguard policies.

78. The Environment Committee will monitor policy implementation across the regional departments. Under the leadership of the Environment and Social Safeguard Division, the Environment Committee will develop a system for monitoring implementation of the environment policy and the medium term action plan, both ADB-wide and across the five regions. The system will include performance monitoring and reporting across regions, countries, and sectors.

79. The integration of environmental considerations in CSPs will be measured by the extent to which they (i) identify critical environmental issues facing development and poverty reduction in the country, and (ii) provide credible lending and nonlending responses to these issues. Overall performance in regard to ADB's safeguard policies and procedures will be measured through the compliance monitoring system to be implemented by the Environment and Social Safeguard Division.

3. Review of the Policy

80. ADB's Environment Policy will be reviewed after 5 years. A Board paper will be circulated with a comprehensive review of the policy implementation. The review will be conducted by an expert group, to be commissioned by ADB. It will include ADB staff, and advisers drawn from DMCs and other member countries, other external support agencies, NGOs, and internationally recognized specialists. In addition, an interim operational review will take place three years after the policy is approved, based on completion of the first medium-term action plan.

B. Resource Implications

81. The reorganized ADB has 18 environment specialist positions, including 13 in the five regional departments. In comparison with the situation prevailing prior to reorganization, this represents a net increase of 3 environment specialist positions ADB-wide. If all 18 environment specialist positions are filled by staff with an appropriate skills mix, the implementation of the

environment policy will require only limited incremental resources at ADB. The resource implications for implementing the medium-term action plan are summarized in Appendix 8.

82. Overall incremental staffing requirements for the immediate to medium terms (2002–2005) will amount to about 12 person-months of professional staff equivalent per year. These correspond to three major areas: (i) 4 person-months for the introduction of CEA for country strategy and program, (ii) 3 person-months for implementation of the strengthened environmental assessment process, and (iii) 5 person-months for the environmental inputs for policy-based loan preparation. The 12 person-months of professional staff time per year are needed for specialist tasks to be done by various regional departments. The increased requirements will be met best by engaging staff consultancy on a need basis. In addition, further development of environmentally responsible procurement practices will require 2 person-months of staff consultant to assist the Central Operations Services Office in 2002–2003. Also, a full-time para-professional staff position on global and regional environment issues will be required in the Regional and Sustainable Development Department.

83. Targeted TA resources will be required to prepare a national environmental performance review system. ADB will need to finance \$500,000 of the total \$2 million required for the three-year development and testing program. It is anticipated that the remainder will come from partner institutions.

IV. RECOMMENDATION

84. It is recommended that the Board approve the policy as contained in paragraphs 23-70 and the implementation arrangements as summarized in paragraphs 71-83. The project related content of the fifth policy element on “Integrating Environmental Considerations in ADB Operations” as described in paragraph 30 and paragraphs 50-70 will be subject to ADB’s Policy on Inspection.¹⁸

¹⁸ As specified in the policy paper: ADB. 1995. *Establishment of an Inspection Function*. The policy paper does not include private sector operations within the inspection function.

ENVIRONMENTAL CONCERNS IN THE ASIA AND PACIFIC REGION

1. Appendix 1 summarized the key environmental concerns, regional, and global, presented in *Emerging Asia*¹ and the *Asian Environment Outlook*.²

2. **Urban Air Pollution.** The level of air pollution in Asia's cities is among the world's highest—suspended particulates, which cause respiratory disease, are generally twice the world average, and more than five times that in industrial countries. Lead emissions from vehicles, which cause blood poisoning and impair mental development in children, are above safe levels. Further, concentrations of sulfur dioxide, which damages health, structures, and crops (as acid rain), are still one-third of that in industrial countries, but are nevertheless 50% higher than in other developing regions, Africa, and Latin America. These levels of pollution substantially exceed the guidelines of the World Health Organization (WHO), in particular for most of Asia's megacities. The principal victims are the poor who live in slums in industrial districts. Efforts to improve air quality should focus on particulates in South Asia and the People's Republic of China (PRC), lead in Southeast Asia, and sulfur dioxide in East Asia and the eastern PRC. Indoor air pollution largely results from the use of biomass-based fuels in inefficient cookstoves for cooking and heating without adequate ventilation. One estimate is that indoor air pollution results in 500,000 deaths annually in India, and 700,000 in the PRC; 30% of lost disability-adjusted life years due to major environmental risks arise from this.

3. **Water Pollution.** Asia's rivers typically have 4 times the world average level of suspended solids and 20 times levels in member countries of the Organization for Economic Cooperation and Development (OECD). The biological oxygen demand, a measure of organic pollution, is 1.4 times the world average, and 1.5 times OECD levels. In particular, fecal coliform levels, which indicate bacterial counts from human waste, is 3 times the world average, and 50 times the WHO guidelines. Further, lead concentrations, which originate in industrial effluents, are 20 times higher than in OECD countries. Across subregions, suspended solids are the highest in the PRC, fecal coliforms are highest in India and Southeast Asia, lead is highest in Southeast Asia, and nitrates from fertilizer run-off are highest in South Asia. The main sources are untreated municipal sewage, industrial effluents, and run-off from urban and agricultural activity. In particular, failure to treat urban wastewater means that waters downstream of urban areas are highly polluted. Water pollution results in diarrheal disease, which leads to high infant and child mortality, and long-term health impacts. It asymmetrically impacts the poor, who do not have access to protected water supply. Overall, some 42% of lost disability-adjusted life years in Asia are due to water pollution and inadequate sanitation, making it the most important among the major environment related health risks.

4. **Municipal and Industrial Solid Waste.** Increasing urbanization and economic growth has led to a sharp increase in the quantities of municipal and industrial solid waste generated in Asia. While municipalities in Asia spend 50–70% of their revenues on waste management, only 50–70% of urban dwellers receive any coverage, and the unserved residents are overwhelmingly the poor. Further, growing quantities of toxic and hazardous waste from factories, hospitals, and households are disposed of without proper safeguards. Inadequate management leads to disposal in open water, leaching into groundwater, air pollution from open burning, and spread of disease vectors such as insects and rodents. Untreated or improperly disposed of hazardous and toxic waste impact the poor the most. In addition, other concerns such as indiscriminate disposal of non-degradable products, such as plastic bags, is considered a concern.

¹ ADB. 1997. *Emerging Asia: Changes and Challenges*. Manila: ADB.

² ADB. 2001. *Asian Environment Outlook 2001*. Manila: ADB.

5. **Land Degradation.** In 1992, Asia had only 0.3 hectares (ha) of agricultural land per capita, compared with 1.6 ha for other developing regions, and 1.4 ha in OECD countries. Asia's soils are also generally of poor quality; less than 4% has no inherent cropping constraints, compared with 15% in Africa and 12% in Latin America. Deforestation, cultivation of steep slopes, poor drainage, and inadequate soil conservation has all contributed to severe soil degradation in Asia. Soil erosion is Asia's most serious natural resource problem, and is equally severe in Southeast Asia, South Asia, and the PRC. Salinization and water logging, which render soil unfit for cropping are also acute: 130 million ha of Asian cropland, largely in PRC, India, and Pakistan, are affected due to poor irrigation and drainage practices. In the arid and semiarid areas of South Asia, 63 million ha of rainfed land, and 16 million ha of irrigated land have been lost to desertification. Asia's rural poor are almost wholly dependent on agricultural land, and the degradation or loss of cropland places their livelihoods at serious risk.

6. **Deforestation.** Asia has less forest cover per capita than the rest of the world, just one-third the world average, but is losing it at the rate of 1% a year. Deforestation can occur due to excessive fuelwood collection; logging; construction of infrastructure, especially roads and dams; or conversion of forest to other use, particularly agriculture. Desertification is believed to be largely responsible for increased soil erosion, flooding, biodiversity loss, and drying up of rivers and streams, all of which affect the rural poor the most. A dramatic, recent example of deforestation was the loss of 1 million ha of Indonesia's forests by fires in 1997; the resulting air pollution spread over 6 Southeast Asian countries, affecting 70 million people.

7. **Biodiversity Loss.** Asia accounts for 40% of the world's species of flora and fauna; but with few exceptions, Asian countries have lost 70–90% of their original wildlife habitats to agriculture, infrastructure, deforestation, and land degradation. Biodiversity loss may reduce the resilience in ecosystems, and place the poor who depend on these ecological resources at risk of losing their livelihoods. On the other hand, access contracts for biodiversity and traditional knowledge of biodiversity use may yield significant resources for sustainable development.

8. **Coastal, Marine, and Freshwater Aquatic Resources.** Asia's coastal and marine fisheries, and mangrove and coral reefs are among the most diverse in the world. Around two-thirds of the world's coral reefs are in Asia. Freshwater ecosystems in Southeast Asia are among the world's largest and best developed. However, more than half of Asia's wetlands have been lost, and more than half of mangroves in the Indo-Malayan realm have been cleared. Most wetlands of international significance are threatened by hunting, drainage, pollution, destructive fishing practices, and conversion to other uses. Loss of fisheries and mangroves adversely impact the livelihoods of the poor.

9. **Climate Change.** Emissions of greenhouse gases, primarily but not exclusively due to fossil fuel use, leading to global climate change, is seriously disrupting the earth's ecological balance and human welfare. While the major sources of greenhouse gases so far are the developed countries, owing to their use of fossil fuels since the industrial revolution, several rapidly growing Asian countries that depend on fossil fuel may in the next 20 years significantly increase their share in global emissions in the aggregate. The impacts of climate change include sea level rise, coral bleaching (which destroys fish habitats), changes in agricultural potentials, degradation of forests, accelerated desertification, increased range of vector-borne disease, changes in precipitation, and enhanced frequency and severity of extreme weather events such as cyclones and droughts. These impacts are adversely affecting people in developing countries, particularly the poor in Asia.

ENVIRONMENTAL POLICIES AND STRATEGIES OF OTHER MULTILATERAL DEVELOPMENT BANKS

1. **World Bank.** World Bank operational policy on the environment is made up of safeguard policies to help ensure that World Bank operations do no harm to people and the environment. World Bank operational policies are designed for use by World Bank staff. Safeguard policies that fall within the scope of environmental assessment are cultural property, disputed areas, forestry, indigenous peoples, international waterways, natural habitats, pest management, and safety of dams. The World Bank undertakes environmental screening of each proposed project to determine the extent and type of environmental assessment required, and whether the project may trigger other safeguard policies. The World Bank policy on environmental assessment applies to all projects, sector investment lending, sector adjustment lending, financial intermediate lending, and emergency recovery projects. The policy provides for capacity building in environmental assessment for borrowers, public consultation, and rules for disclosure of environmental assessment reports.
2. The World Bank board of directors approved its environmental strategy on 17 July 2001. The strategy is implemented to improve the way the World Bank does business in the environment sector. The World Bank Environment Strategy (WBES) is set in the larger context of the World Bank's new programming approach, which includes the comprehensive development framework and poverty reduction strategy papers.
3. The WBES outlines how the World Bank will work with its client countries to address their environmental challenges and ensure that World Bank projects and programs integrate principles of environmental sustainability. The WBES has three primary objectives: improving peoples' quality of life, improving the quality of growth, and protecting the quality of the regional and global common goods. Improving the quality of life is to be achieved through enhancing livelihoods, preventing and reducing environmental risks, and reducing people's vulnerability to environmental hazards. Improving the quality of growth is to be achieved by supporting policy, regulatory, and institutional frameworks for sustainable environmental management and by supporting sustainable private sector development to achieve environmental objectives and develop markets for environmental goods and services. Protecting the quality of the regional and global common goods is to be achieved by helping its client countries achieve the objectives of the international conventions and associated protocols, including conventions on climate change, ozone, and biodiversity.
4. In its implementation, the WBES will have implications for client countries, the Asian Development Bank, and other international agencies. The World Bank has developed regional environmental strategies for all of its six regions. These strategies set regional and subregional priorities based on environmental constraints and on poverty reduction and growth. In East Asia for example, the regional environment strategy sets strategic priorities for pollution management; natural resource management; reduction of vulnerabilities to natural disasters; promotion of environmentally sound macroeconomic and sector policy; and support for solutions to regional environmental problems, climate change, and biodiversity. The World Bank acknowledges that implementation of the strategy will require coordination with its client countries and other multilateral and bilateral agencies.
5. The World Bank intends to work toward systematic application of environmental sector analysis in conjunction with the development of its assistance strategy in each client country. The World Bank intends to use strategic environmental assessment of sectoral and regional programs and its policies to address environmental concerns early in the decision making and

planning process. It also intends to provide its client countries with capacity development and institutional strengthening for (i) analytical work on poverty-environment linkages, and (ii) development of inputs into poverty reduction strategy papers. The WBES also commits the World Bank to mainstreaming environment in country assistance strategies and sectoral programs and portfolios. As a part of this mainstreaming, the Global Environment Facility resources into project and program lending is to be improved integration. The WBES mandates improvements to the World Bank safeguard systems through better compliance monitoring and evaluation systems and work with its client countries to assess and to build capacity in environmental assessment.

6. **Inter-American Development Bank.** The Inter-American Development Bank (IDB) is currently revising its environmental framework. At present, IDB's operations policies are divided into (i) general policies common to all types of financing activities; and (ii) sectoral policies, which guide IDB staff, borrowers, and others in specific fields of activity (e.g., environment, women in development, and energy). In addition to these policies, IDB's lending program is also guided by strategies, broader statements that seek to make operational the "mandates" given to IDB by its governors. These mandates are the single most comprehensive statement of IDB's priorities (poverty reduction and social equity, modernization and integration, the environment, and support for the private sector). The mandates are outlined in the document detailing IDB's practices and procedures corresponding to the eighth capital replenishment. Best practices are a third instrument used in the development and design of projects. These documents are case studies and papers incorporating lessons learned from a variety of sources worldwide (including projects financed by IDB) and are gathered and disseminated by IDB's Sustainable Development Department.

7. The IDB operational policy on environment is a broad statement (i) ensuring that in all projects financed by IDB, environmental aspects are considered, and that appropriate measures are taken to avoid environmental impact with due attention for economic and social costs and benefits; (ii) mandating IDB cooperation with its member countries through loans and technical cooperation for the financing of projects designed to improve or preserve the environment; (iii) mandating IDB assistance to its member countries for identifying environmental problems and finding solutions; and (iv) mandating IDB assistance in the development, transfer, and use of science and technology in environmental management and to help strengthen national institutions in environmental management. The focal point of environmental assessment in IDB is the Committee on Environment and Social Impact (CESI). The procedures for CESI outline the basic requirements for the review of the impacts of IDB operations. These include (i) the promotion of adequate environmental and natural resource regulatory and management frameworks; (ii) the adoption of environmental protection, management, mitigation, and enhancement measures; (iii) consideration of indigenous rights and community development issues; (iv) consideration of involuntary resettlement matters; (v) stakeholder consultation requirements; (vi) gender considerations; and (vii) issues of social impact and sustainability.

8. The CESI procedure applies to all IDB operations including major projects, sector loans, investment loans, technical cooperations, small projects, Multilateral Investment Fund operations, private sector operations, and any major reformulation of those operations. In conducting its operations, CESI relies on three key types of IDB documents: (i) when available, IDB country environmental strategies (CESs); (ii) environmental and social impact briefs; and (iii) when required, environmental and social impact reports. The IDB Regional Operations Department is encouraged to prepare CESs as part of their strategic planning and country programming process. The CES outlines the environmental issues that are most important to the member country's development strategy. The CES describes IDB's role in strengthening the

environmental law, policy, regulatory, and management framework as well as in helping to remove the environmental constraints on a country's development strategy. The environment and social impact briefs are used during the scoping stage for projects and identify the specific environmental assessment requirements and the environmental and social issues that must be resolved. In cases where impacts are expected to be significant, an environmental impact assessment is to be prepared by the borrower. After completing the environmental impact assessment, IDB evaluates all results of the impact assessment and other relevant information obtained during project preparation. This information is summarized in the environmental and social impact reports, which is the final impact statement.

9. IDB has recently prepared strategies on integrated water resources management, coastal and marine resources management, and agricultural development. These strategies all have a strong environmental focus and emphasize that the development of the sector plays an important role in the reduction of rural and urban poverty and in sustainable management and natural resources.

PUBLIC CONSULTATION PROCESS

1. When formulating its environment policy, the Asian Development Bank (ADB) adopted a strategy for gaining wide participation from a diverse group of stakeholders to ensure that they had the opportunity to comment, provide suggestions, and enrich the proposed environment policy. ADB's targeted stakeholders included representatives from governments, nongovernment organizations (NGOs), civil society, academic institutions, the private sector, and funding agencies. Participation was open to stakeholders in all member countries, and ADB was able to undertake consultations involving 25 countries. Workshop consultations were held in Australia, Bangladesh, People's Republic of China, India (two), Indonesia, Japan, Kazakhstan (including representatives from Kyrgyz Republic, Turkmenistan, and Uzbekistan); Lao People's Democratic Republic, Nepal, Pakistan, Philippines (three), Sri Lanka, Sweden (including representatives from Denmark, Finland, and Norway), the United States (one in Washington, DC and an open forum during ADB's annual meeting in Honolulu), and Viet Nam. ADB directly invited stakeholders in four South Pacific nations (Cook Islands, Marshall Islands, Samoa, and Vanuatu) to provide written comments on the draft policy. Stakeholders from six other members (Cambodia; Canada; Hong Kong, China; Malaysia; Papua New Guinea; and United Kingdom) also provided written comment on the draft policy.

A. Means of Consultation

2. ADB adopted the following means to solicit a wide-ranging consultation from stakeholders within and outside the Asian and Pacific region:

- (i) extensive dissemination of information within and outside ADB through meetings and electronic media—E-mail, facsimile, and an interactive web site with the overview paper, environment policy working paper, questionnaires, consultation schedule and contacts, and synthesis of comments;
- (ii) country consultation meetings with government agencies, NGOs, the academe, private sector, civil society and other development agencies, soliciting feedback on the draft environment policy working paper where necessary, ADB arranged for the translation of the working paper into local languages; and
- (iii) meetings with key NGOs to share information about the draft environment policy paper, get their views on proposed major policy changes, and discuss ways to strengthen partnerships with them.

B. Process of Consultation

3. ADB adopted a two-step process to solicit feedback and gather information from its stakeholders.

4. **Step 1: Overview Document.** With the help of resident missions or local consultants, ADB identified in each targeted country key stakeholders to be invited to provide feedback. ADB then disseminated an overview document entitled "A Note on the Draft Environment Policy Working Paper" to generate ownership and partnership in the development of an environment policy. This five-page document provided background into the need for an ADB environment policy, and an overview of ADB's philosophy and proposed policy reforms. Accompanying the overview was a short questionnaire for soliciting feedback on the proposed direction. The local consultants followed up with each stakeholder, answered questions, and encouraged participation. After receipt of comments, ADB synthesized the comments and uploaded the synthesis to the Internet. The comments were considered in formulating the revised draft.

5. **Step 2: Environment Policy Working Paper and Country Consultations.** After receiving initial comments and completing the environment policy draft, ADB disseminated the draft and held at least one consultation meeting in each of the 15 countries identified earlier with participants from step 1. Environment specialists from ADB participated in the meetings. Trained consultants facilitated the sessions.

C. Results

6. Over 632 stakeholders from 18 ADB developing member countries (DMCs) and 7 donor countries participated by sharing their opinions, experience, and suggestions. This appendix summarizes the comments received in writing or through the 22 consultation workshops held from February to October 2001. A supplementary appendix, Public Consultation Strategy and Results, includes a complete synthesis of the comments and a brief explanation of the changes made as a result of the comments (or reasons why a suggestion was deemed inappropriate). The following summarizes the comments on the previous drafts, by the main themes.

7. **Format, Scope, and Approach.** Many readers expressed the need for a well-defined policy statement. Some thought the focus and tone of the working paper lacked a cultural and regional perspective. Many found the tone reactive rather than proactive and strategic. Many stakeholders thought the earlier draft working paper, especially the August 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. Some wanted to see a discussion of economic growth, globalization, and development reconciled with that of environmental sustainability and social equity.

8. **ADB’s Implementation of the Policy.** An overwhelming majority of the participants were concerned about whether the policy could be implemented, and how. They wanted more information on the processes, mechanisms, and structures needed to put the principles and values into action.

9. **ADB’s Accountability.** Readers from six DMCs and two donor 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 of noncompliance. ADB should evaluate past projects and performance and formalize lessons learned.

10. **Environmental Assessment Processes.** Several thought the policy should include a complete explanation of the assessment categories, including criteria and definitions. Stakeholders applauded the use of strategic environmental assessment, but suggested the language used was too “timid.” Some requested that ADB expand its environmental assessment processes to include social, economic, health, political, and cultural implications. Participants all agreed that ADB’s environmental assessment guidelines should be revised to be more clear and comprehensive. In general, some stakeholders wanted to see environmental assessment processes made more stringent, while some thought ADB’s current processes are too restrictive. Some wanted more details about environmental assessment processes, including how mitigation measures will take place and by whom, in the policy itself. NGO stakeholders in several countries emphasized the need for ADB’s environmental assessment processes to adopt “participatory processes that result in stakeholders’ consensus and not simply use consultation.” All environmental assessment reports should be made public and available in the local language. How participation will be incorporated through the stages of the project/program

development cycle should be made clear in the policy. Workshop participants expressed the need for clearer and more transparent procedures for evaluating environmental impact assessments.

11. **Private Sector Operations.** Many participants in developing and donor countries believe the accountability and rules governing loans to the private sector should be specified more clearly. 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.

12. **Environmental Management.** Participants from all stakeholder groups expressed the need for clear statements in the policy regarding DMC autonomy. 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 across DMCs. Many participants thought 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 policies into action and monitor their implementation.

13. **Poverty-Environment Nexus.** Stakeholders from all groups challenged ADB to strengthen the link between poverty reduction and environment in earlier drafts of the working paper. A few participants 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. In the global context, many felt the rich are the worst polluters and the poor are the victims of environmental degradation.

14. **Transboundary Issues.** Readers applauded the policy’s emphasis on transboundary issues. Some participants noted the need to strengthen this framework, especially in facilitating the mitigation of transboundary issues. In addition, some thought the policy should explicitly state ADB’s role in implementing these agreements; many nations are ignorant of the provisions therein. Yet, ADB should be careful to respect each country’s foreign policies. A few stated their view that the poor are often marginalized in an open trade and investment regime.

15. **Information, Education, and Communication.** Participants from 15 DMCs and 3 donor countries noted the need for ADB to develop an information, education, and communication strategy in its environment policy for disseminating information and environmental awareness raising. ADB should proactively disseminate information (in local languages) and solicit input and participation from local governments, organizations, and communities. In addition, there should be a direct feedback mechanism, or local comments might be “filtered” by executing agencies without ADB’s knowledge. Some readers thought the language of the draft working paper 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.

16. **Capacity Building.** Stakeholders from 10 DMCs and 2 donor 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.

17. **Public Participation.** In reviewing earlier drafts, the majority of reviewers thought the sections on public participation were weak. A more proactive approach is necessary. All stakeholders should be involved in policies, projects, and programs at all stages (from design to monitoring and 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. Many participants 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 and bottom-up. The policy should outline concrete mechanisms for involving local affected communities. Some believed affected stakeholders should have the opportunity to reject the project, and consensus should be reached. Many participants also emphasized the need for greater NGO involvement in decision making, as independent “watchdogs” for compliance, in policy implementation, and in the entire project and program cycle.

18. **Monitoring and Evaluation.** The category of highest response (18 DMCs and 4 donor countries) was in the area of monitoring and evaluation. All participants noted that the one sentence attributed to monitoring and evaluation in the February and August 2001 drafts was insufficient. How will the policy and ADB interventions be monitored for compliance? Some participants noted the need for monitoring and evaluation mechanisms to engage affected communities. Several stakeholders (mostly NGOs) indicated the need for compliance to be independently monitored. NGO readers from several countries pointed out the lack of standards, performance indicators, targets, and monitoring criteria in the policy, other than that of the DMCs. A diverse segment of participants thought enforcement of the policy in DMCs should be strengthened.

19. **Environmental Topics.** Many participants mentioned the need for different topics to be addressed or strengthened in the environment policy working paper. These included coastal resource management, waste management, water, gender, conservation, alternative energy, pollution, green procurement, appropriate technology, persistent organic pollutants, culture, population, tenure, resettlement, livelihood, and research.

20. **Principles Underlying the Environment Policy.** In the February 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. While received favorably, respondents questioned how these principles will be “operationalized.” In addition, they lack interpretation and clear definition of terms. The “least cost” principle was found misleading and ambiguous. The “precautionary” principle does not reflect the full definition from Rio 15.

D. ADB’s Response to Participants’ Recommendations

21. All suggestions submitted in writing or expressed at workshops were considered in redrafting the environment policy working paper. The entire draft was reworked to ensure a clear policy statement and ways in which the policy will be implemented and reviewed. The focus was changed to emphasize pollution prevention (including green procurement), conservation, and natural resource management, rather than merely remediation. The link between environment and poverty has been strengthened. References to ADB’s history vis-à-vis the environment were added, and lessons learned incorporated in the policy. ADB agrees that stakeholder participation, capacity building, and education are important in its environmental activities, and the appropriate sections of the paper were enhanced to make this

more explicit. The section on monitoring and evaluation was also enhanced considerably. Statements on DMC autonomy and responsibility, and ADB accountability, were added or clarified.

22. Many suggestions were more appropriate for ADB's environmental assessment guidelines and are being considered as the guidelines are modified in tandem with the policy. Complete descriptions of project categories, full explanations of the optional use of strategic environmental assessment, the way environmental assessment processes will trigger further analysis of other issues, how the public will be involved, tools for economic valuation of environmental impacts, the specific rules for private sector loans, and how assessments are reviewed are all issues that are addressed in more detail in the environmental assessment guidelines. Likewise, the environment policy strengthens and complements ADB's existing sectoral and crosscutting policies. The topics of coastal resource management, water and watershed management, gender, tenure, resettlement, and research are addressed by other ADB policies. Instead of dedicating an entire section to underlying principles that might be difficult to implement and monitor, the policy now includes a statement of support for the principles of sound environmental management as outlined in the Rio Declaration under Agenda 21.

ADB ENVIRONMENTAL OPERATIONS (1995–2001)

Environment-Oriented Technical Assistance (1995–2001)

Year	TA No.	Country	Title	Amount (\$)	
1995	2403	IND	Strengthening the Capability of the Industrial Development Bank of India in Energy and Environmental Project Management	585,000	
	2474	IND	Environmental Improvement and Sustainable Development of the Agra-Mathura-Ferozabad Trapezium in Uttar Pradesh	600,000	
	2296	IND	Strengthening EIA Capacity and Environmental Legislation	500,000	
	2366	KAZ	Rehabilitation and Environmental Improvement of the Almaty No.1 Heat and Power Station	556,000	
	2397	KGZ	Strengthening Environmental Institutions and Improving Procedures for EIA	556,000	
	2329	LAO	Strengthening Environmental Planning and EIA Capability	599,000	
	2425	MAL	EIA of the Kalaka-Saribas Integrated Agricultural Development-Phase II	87,000	
	2299	MAL	Strengthening the Institutional Framework for Sustainable Development	142,000	
	2350	MON	Energy Conservation	100,000	
	2458	MON	Strengthening Land Use Policies	580,000	
	2385	PHI	Environmental Evaluation of Swamps and Marshlands	100,000	
	2407	PRC	Capacity Building for Soil and Water Conservation	590,000	
	2337	PRC	Coastal Environmental Protection and Institutional Assessment	98,500	
	2434	PRC	Establishing a Center for the Transfer of Environmentally Sound Technology	550,000	
	2298	PRC	Improving Coal Efficiency and Reducing Environmental Pollution	570,000	
	2398	PRC	Improving Environmental Monitoring and Enforcement in Henan Province	90,000	
	2394	PRC	Jianfengling Park Management and Biodiversity Conservation	600,000	
	2408	PRC	Land Use and Land Tenure Policy in Fujian Province	600,000	
	2456	PRC	Pilot Environmental Plans for Selected Medium Size Cities	537,000	
	2494	PRC	Sound Safety and Environmental Practices for Offshore Oil and Gas Production	600,000	
	2505	PRC	Strengthening Environmental Standards and Enforcement Policies	600,000	
	2445	PRC	Xian-Xianyang-Tongchuan Environment Improvement	500,000	
	2511	PRC	Zhejiang-Shanxi Water Conservancy	1,000,000	
	2303	THA	Bangkok Metropolitan Region Wastewater Management Action Plan and Feasibility Study	600,000	
	2369	THA	Solid Waste Management Sector Plan	400,000	
	2351	THA	Strengthening the EIA Review Process	600,000	
	2378	THA	Strengthening the Environmental Unit of the Department of Highways	200,000	
	2319	TUV	Urban Planning and Environment Management	310,000	
	2411	VIE	Forestry Sector and Watershed Management	598,000	
	5658	REG	Capacity Building for Environmental Law Training in the Asia and Pacific Region	600,000	
	5622	REG	Subregional Environmental Monitoring and Information System	1,000,000	
	1996	2724	BAN	Biodiversity Conservation in the Sunderbans Forests	500,000
		2531	BHU	Strengthening EIA Capabilities and Preparation of Environmental Guidelines	350,000
2723		CAM	Institutional Strengthening and Expanding EIA Capacity	1,000,000	
2535		INO	Coral Reef Rehabilitation and Management	600,000	
2665		INO	Institutional Strengthening of the Forestry and Soil Conservation Services in the Segara Anakan Basin	250,000	
2641		KIR	Environmental Improvement	72,500	
2734		LAO	Nam Ngum Watershed Management	1,200,000	
2613		NEP	Institutional Strengthening of NEA's Environment Division	534,000	
2563		PAK	Forestry Sector	14,145,000	

BAN = Bangladesh; BHU = Bhutan; CAM= Cambodia; EIA = environmental impact assessment; IND = India; INO = Indonesia; KAZ = Kazakhstan; KGZ = Kyrgyz Republic; KIR = Kiribati; LAO = Lao People's Democratic Republic; MAL = Malaysia; MON = Mongolia; NEP = Nepal; PAK = Pakistan; PHI = Philippines; PRC = People's Republic of China; REG = regional; THA = Thailand; TUV = Tuvalu; VIE = Viet Nam.

Year	TA No.	Country	Title	Amount (\$)
	2623	PHI	Evaluation of Environmental Standards for Selected Industry Subsectors	400,000
	2735	PRC	Capacity Building for Natural Resources Legislation	800,000
	2695	PRC	Coastal Resource Conservation and Environmental Improvement	810,000
	2693	PRC	Formulation of an Integrated Environmental Management Plan for the Chao Lake Basin	800,000
	2729	PRC	Industrial Pollution Investigation and Assessment in TVEs	600,000
	2675	PRC	Market Based Energy Conservation and Environmental Improvement	597,000
	2619	SRI	Upper Watershed Management	600,000
	2704	VIE	Hazardous Waste Management	600,000
	5702	REG	Acid Rain and Emission Reduction for Asia, Phase II	600,000
	5669	REG	Capacity Building in Environmental Economics	598,000
	5712	REG	Coastal and Marine Environmental Management in the South China Sea, Phase II	2,700,000
	5695	REG	Environmental Cooperation in Northeast Asia	495,000
	5684	REG	Subregional Environmental Training and Institutional Strengthening in the GMS	1,665,000
1997	2806	IND	Karnataka Coastal Environmental Management and Urban Development	800,000
	2936	IND	Urban and Environmental Infrastructure Fund	400,000
	2805	INO	Strengthening of Urban Waste Management Policies and Strategies	600,000
	2822	INO	National Biodiversity Information Network	700,000
	2958	INO	Marine Resources Evaluation Management and Planning	600,000
	2934	KGZ	Environmental Monitoring and Management Capacity Building	598,000
	2856	MAL	Industrial Pollution Control Management	588,000
	2458	MON	Strengthening Land Use Policies (Suppl.)	244,000
	2808	NEP	Implementation of the Pesticides Regulatory Framework	100,000
	2847	NEP	Institutional Strengthening of the Ministry of Population and Environment	600,000
	2928	PAK	Quetta Water Supply and Environment Improvement	900,000
	2803	PHI	Pasig River Environmental Management and Rehabilitation	800,000
	2835	PHI	Metro Manila Air Quality Improvement	150,000
	2751	PRC	Capacity Building of Wastewater Treatment Operations in Anhui Province	400,000
	2770	PRC	Fuzhou Water Supply and Wastewater Treatment	598,000
	2792	PRC	Study on Clean Coal Integrated Gasification Combined Cycle Technology	500,000
	2873	PRC	Improvement of Environmental Management in Shaanxi Province	935,000
	2870	PRC	Capacity Building for Energy Conservation	78,000
	2900	PRC	Financing Mechanism for Energy Efficiency Investment	150,000
	2901	PRC	Shanxi Environment Improvement	590,000
	2951	PRC	Promotion of Market-Based Instruments for Environmental Management	697,000
	2854	RMI	Fisheries Management	598,000
	2942	SRI	Biodiversity Conservation	800,000
	2820	THA	Capacity Building for Waste Management Program Administration	300,000
	2859	UZB	Strengthening of Institutions Engaged in Environmental Protection	675,000
	2790	VIE	Ho Chi Minh City Environmental Improvement	600,000
	2852	VIE	Forestry Sector	7,000,000
	2871	VIE	Red River Basin Water Resources Management	1,362,663
	5595	REG	Regional Community Forestry Training Center in Kasetsart University (Suppl.)	1,400,000
	5727	REG	Multilateral Financial Institutions Environmental Group Meeting	52,000
1998	3152	CAM	Sustainable Forest Management	980,000
	3089	IND	Calcutta Environmental Improvement	1,000,000
	3133	LAO	Strengthening Social and Environmental Management	950,000
	3121	NEP	Watershed Rehabilitation and Management	600,000
	3018	PNG	Social and Environmental Studies	150,000
	3123	PRC	Provincial Legislation on Environmental Protection and Natural Resources Conservation	300,000
	3095	PRC	Hai River Basin Wastewater Management and Pollution Control	570,000

CAM = Cambodia; EIA = environmental impact assessment; IND = India; INO = Indonesia; KGZ = Kyrgyz Republic; LAO = Lao People's Democratic Republic; MAL = Malaysia; MON = Mongolia; NEA = National Environment Agency; NEP = Nepal; PAK = Pakistan; PHI = Philippines; PNG = Papua New Guinea; PRC = People's Republic of China; REG = regional; RMI = Marshall Islands; SRI = Sri Lanka; THA = Thailand; UZB = Uzbekistan; VIE = Viet Nam.

Year	TA No.	Country	Title	Amount (\$)
	3079	PRC	TA Cluster to the PRC for the Promotion of Clean Technology	3,500,000
	3069	PRC	Soil and Water Conservation in the Upper Yangtze River Basin	99,000
	2675	PRC	Market-Based Energy Conservation & Environmental Improvement (Suppl.)	150,000
	3039	PRC	Yunnan Road Environmental and Social Analysis	150,000
	3036	PRC	Power Rehabilitation and Environmental Improvement	1,000,000
	3025	PRC	Suzhou Creek Environmental Rehabilitation	965,000
	3047	SRI	Forest Resource Management	800,000
	3013	THA	Promotion of Market-Based Instruments for Environmental Management	605,000
	5772	REG	Regional Training Course on Solid Waste Management in DMCs	75,000
	5778	REG	Strengthening the Capacity of the ASEAN to Prevent and Mitigate Transboundary Atmospheric Pollution	1,000,000
	5783	REG	Strategic Environmental Framework for the Greater Mekong Subregion	1,600,000
	5784	REG	Appropriate Technology for Soil-Conserving Farming Systems (Phase I)	600,000
	5797	REG	Training of Journalists in Management of Environmental Information Resources	40,000
	5800	REG	Measurement of Environmental Performance	441,000
	5816	REG	Mayors' Asia-Pacific Environmental Summit	85,000
	5822	REG	Protection and Management of Critical Wetlands in the Lower Mekong Basin	1,650,000
	5826	REG	Asian Environmental Outlook	900,000
1999	3297	BAN	Urban Transport and Environment Improvement Study	645,000
	3300	BAN	Sundarbans Biodiversity Conservation	3,500,000
	3324	IND	Community Participation in Urban Environmental Improvement	150,000
	3252	INO	Capacity Building for Decentralization of the Environmental Impact Assessment Process	420,000
	3234	INO	Natural Resources and Environmental Management Sector	380,000
	3350	KAZ	Strengthening Environmental Management	700,000
	3364	NEP	Urban Environmental Improvement	750,000
	3383	PAK	Integrated Pest Management	500,000
	3282	PHI	Community-Based Forest Resources Management	840,000
	3211	PRC	Improving Environmental Management in Suzhou Creek	840,000
	3216	PRC	Tianjin Wastewater Treatment and Water Resources Protection	800,000
	3290	PRC	Capacity Building in Ministerial Status Responsibilities in the SEPA	810,000
	3325	PRC	Shanxi Air Quality Improvement	700,000
	3372	PRC	Yunnan Comprehensive Agricultural Development and Biodiversity Conservation	1,332,000
	3376	PRC	Songhua River Flood, Wetland, and Biodiversity Management	1,545,000
	3271	SRI	Sustainable Natural Resource Management for Development	800,000
	3273	SRI	Protected Area Development and Wildlife	330,000
	3277	SOL	Marine Biodiversity Conservation	150,000
	3255	VIE	Study on the Policy and Institutional Framework for Forest Resources Management	470,000
	5840	REG	Promotion of Cleaner Production Policies and Practices in Selected DMCs	600,000
	5844	REG	Promoting Sustainable Development Agenda in Asia: Ministerial Conference 2000	600,000
	5860	REG	Institutional Strengthening and Collection of Environment Statistics	500,000
	5861	REG	Capacity Building for Implementation of the Kyoto Protocol and the Clean Development Mechanism	200,000
	5865	REG	Transboundary Environmental Cooperation in Northeast Asia	350,000
	5866	REG	Fourth Agriculture and Natural Resources Research at CGIAR Centers	5,600,000
	5867	REG	Water Resources Management in Southeast Asia (Phase 2)	250,000
	5888	REG	Third ADB-NGO Consultative Meeting on Environment and Sustainable Development	150,000
	5896	REG	Strengthening the Live Reef Fish Trade Management in the PDMCs	215,000

BAN = Bangladesh; DMC= developing member country; IND = India; INO = Indonesia; KAZ = Kazakhstan; NEP = Nepal; PAK = Pakistan; PHI = Philippines; PRC = People's Republic of China; REG = regional; SOL = Solomon Islands; SRI = Sri Lanka; THA = Thailand; VIE = Viet Nam.

Year	TA No.	Country	Title	Amount (\$)
	5899	REG	Subregional Environmental Monitoring and Information System (Phase II)	600,000
	5900	REG	Regional Study on Forest Policy and Institutional Reforms	595,000
2000	3501	ETM	Environmental Assessment Capacity Improvement	250,000
	3423	IND	Environmental Management at the State Level	3,620,000
	3499	KGZ	Environmental Monitoring and Management Capacity Building II	650,000
	3535	LAO	Energy and Transport Socio-Environmental Management	150,000
	3557	LAO	Strengthening Social and Environmental Management Capacity in the Department of Roads	200,000
	3393	PHI	Implementation of the Convention on Biological Diversity	120,000
	3469	PHI	Capacity Building Support for Pasig River Environmental Management and Rehabilitation	1,000,000
	3447	PRC	Strengthening Urban Solid Waste Management	600,000
	3462	PRC	Acid Rain Control and Environmental Improvement	964,000
	3488	PRC	Hebei Province Wastewater Treatment	850,000
	3551	PRC	Fujian Soil Conservation and Rural Development, Phase II	650,000
	3588	PRC	Transjurisdiction Environmental Management	2,100,000
	3477	SRI	Coastal Resource Management	12,760,000
	3519	SRI	Protected Area Management and Wildlife Conservation	10,200,000
	3614	TAJ	Capacity Building for Environmental Assessment and Monitoring	600,000
	3561	THA	Capacity Building for Regional Environmental Management	900,000
	3570	THA	Solid Waste Management Sector	150,000
	3583	THA	Mae Moh Environmental Evaluation	500,000
	5913	REG	Capacity Building to Promote Traditional Environmental Management in the Pacific DMCs	300,000
	5934	REG	Regional Environmental Action Plan in Central Asia	500,000
	5937	REG	Action Plans for Reducing Vehicle Emissions	900,000
	5939	REG	Strategies for Poverty Reduction through Urban Environmental Improvement	500,000
	5941	REG	Combating Desertification in Asia	450,000
2001	3688	CAM	Rural Water Supply and Sanitation	700,000
	3675	PAK	Environmental Assessment	50,000
	3692	PHI	Integrated Coastal Resource Management	598,000
	3638	PRC	Wuhan Wastewater Treatment	500,000
	3624	SRI	Integrating Cleaner Production into Industrial Development	800,000
	3639	SRI	Aquatic Resources Development and Quality Improvement	800,000
	3706	UZB	Institutional Support for Sustainable Agricultural Development	600,000
	5972	REG	Promotion of Renewable Energy, Energy Efficiency, and Greenhouse Gas Abatement Projects	5,000,000
	5973	REG	MFI Environmental Group Meeting	25,000
	5974	REG	Coastal and Marine Resources Management and Poverty Reduction in South Asia	600,000
	5996	REG	Ten Years After Rio: Promoting Subregional Cooperation for Sustainable Development	200,000

CAM = Cambodia; ETM = East Timor; IND = India; KGZ = Kyrgyz Republic; LAO = Lao People's Democratic Republic; PAK = Pakistan; PHI = Philippines; PRC = People's Republic of China; REG = regional; SRI = Sri Lanka; TAJ = Tajikistan; THA = Thailand; UZB = Uzbekistan.

INTERFACE BETWEEN THE ENVIRONMENT POLICY AND OTHER ADB CROSSCUTTING AND SECTOR POLICIES

Theme/Issue	Sector					Crosscutting																		
	Agricultural/Natural Resources Research (1995)	Energy (2000 Review)	Fisheries (1996)	Forestry (1995)	Health (1998)	Water (2001)	Anticorruption (OM 55, 2000)	Benefit M&E (OM 22, 1997)	Cooperation with NGOs	Environment (2002)	Gender and Development (OM 21, 1997)	Governance (OM 54, 1997)	Indigenous People (OM 53, 2000)	Information Policy (1998)	Inspection (OM 49, 1998)	Involuntary Resettlement (OM 50, 1997)	Poverty Reduction Strategy (1999)	Population (1995)	Private Sector Strategy (2000)	Public Disclosure (1994)	Regional Cooperation (OM 28, 1995)	Social Dimensions (OM 47, 1997)		
Social																								
Access to Information						X	X		X		X		X	X	X	X	X	X		X	X			
Access to Proceedings for Redress of Problems									X					X										
Accountability and Transparency						X	X	X	X		X	X					X		X					
Benefit Monitoring and Evaluation			X	X	X	X	X	X		X		X				X								X
Capacity Building			X		X	X	X	X	X	X	X	X							X					X
Compliance and Performance Monitoring									X															
Compliance with Treaty Requirements						X			X															
Decentralization to Appropriate Level			X			X			X		X						X							
Education, Public Awareness, Training		X			X	X		X	X	X	X						X	X						X
Gender Equity	X		X	X	X	X		X		X	X		X			X	X	X						X
Good Governance				X		X	X		X		X						X		X					
Health Protection		X			X	X		X		X	X		X				X	X						X
Indigenous Peoples					X	X		X	X	X	X		X			X	X							X
Involuntary Resettlement		X				X		X	X	X	X		X			X								X
Institutional and Legal Framework			X	X	X	X	X		X		X					X	X	X						
NGO Participation	X		X	X	X	X	X	X	X	X	X	X	X				X	X						X

M&E = monitoring and evaluation; NGO = nongovernment organization; OM = operations manual.

Theme/Issue	Sector						Crosscutting																
	Agricultural/Natural Resources Research (1995)	Energy (2000 Review)	Fisheries (1996)	Forestry (1995)	Health (1998)	Water (2001)	Anticorruption (OM 55, 2000)	Benefit M&E (OM 22, 1997)	Cooperation with NGOs	Environment (2002)	Gender and Development (OM 21, 1997)	Governance (OM 54, 1997)	Indigenous People (OM 53, 2000)	Information Policy (1998)	Inspection (OM 49, 1998)	Involuntary Resettlement (OM 50, 1997)	Poverty Reduction Strategy (1999)	Population (1995)	Private Sector Strategy (2000)	Public Disclosure (1994)	Regional Cooperation (OM 28, 1995)	Social Dimensions (OM 47, 1997)	
Population and Sustainable Development				X	X		X		X	X							X	X					X
Poverty Reduction	X	X	X	X	X	X			X	X		X					X						X
Private Sector Participation		X	X	X	X	X			X								X				X		X
Public (stakeholder) Participation	X	X	X	X		X		X	X	X	X	X				X	X	X				X	X
Regional Cooperation	X	X	X			X	X		X								X		X		X		
Social Assessment		X	X	X		X		X	X	X		X			X	X							X
Technology Transfer				X						X												X	
Third Party Impacts										X													
Transboundary Impacts		X				X				X												X	
Environmental																							
Biodiversity and Conservation of Ecological Base	X		X			X				X													
Use of Biotechnology			X							X													
EIA and Impact Mitigation		X	X	X	X	X			X	X							X						
Global Environmental Concerns (e.g., GHG)		X								X													
Integrated Resources Management		X	X	X		X				X													
Precautionary Principle										X													
Preventing Desertification and Soil Degradation										X													
Protection of Marine Natural Resources	X		X							X													
Reducing Pollution		X	X			X				X													
Research and Development			X	X	X	X				X							X					X	

KEY MULTILATERAL ENVIRONMENTAL AGREEMENTS

1. This Appendix briefly introduces the main features of key multilateral environmental agreements, and their financial mechanisms.

I. OUTLINE PROVISIONS

A. The Rio Declaration and Agenda 21

2. These two nonbinding agreements were adopted at the Earth Summit at Rio de Janeiro in July 1992, and embody the current international consensus on the principles and content of what is meant by “sustainable development.” While the Rio Declaration sets forth principles to guide actions toward sustainable development, Agenda 21 provides a concrete program covering the themes of social and economic dimensions, conservation and management of resources for development, strengthening of the role of major groups, and means of implementation. The Preamble to Agenda 21 links these diverse themes, and expresses the international political consensus on approaches to the specific sector programs. While stressing that successful implementation of Agenda 21 is “first and foremost” the responsibility of governments, the preamble also states unambiguously that international cooperation should “support and supplement” rather than seek to supplant, national efforts. The preamble also affirms that to achieve the objectives of Agenda 21, developing countries will require a substantial flow of “new and additional” financial resources to cover the incremental costs of their actions to deal with global environmental problems and accelerate sustainable development.

3. Agenda 21 is a serious attempt at harmonizing current understanding of the development process and environmental protection with political perceptions and priorities. These could change over time, and accordingly Agenda 21 is designed as a dynamic document. Apart from questions of providing financial resources and technology, a crucial element in effective implementation is technology transfer. The building of technical skills, administrative capacity, policy making skills, and institutional design is a major focus of the proposals, in which there exists considerable scope for multilateral cooperation involving many stakeholders and sectors.

B. United Nations Framework Convention on Climate Change Convention (UNFCCC) 1992, and the Kyoto Protocol (1997)

4. The Framework Convention and the Kyoto Protocol negotiated within the Framework Convention seek to address the problem of dangerous human interference with the climate, caused by emissions of greenhouse gases (GHGs) from diverse economic activities. Several Asian countries, notably small island countries such as the Pacific islands and the Maldives, and densely populated deltaic countries such as Bangladesh, are concerned that rise in the mean sea level may inundate their coastal areas, leading to loss of livelihoods, agricultural land, infrastructure, and homes. On the other hand, several industrializing developing countries dependent on fossil fuel resources, for example, the People’s Republic of China, India, and Indonesia, are apprehensive that their economic growth would be adversely affected by restrictions on emissions of GHG. Climate change may also have a number of other serious impacts in the region on agriculture, forests, and natural ecosystems, primarily through changes in precipitation patterns and temperature.

5. The Kyoto Protocol (1997) when it enters into force will strengthen the commitments of industrialized countries and the European Communities (“Annex B Parties”) regarding reduction of

their GHG emissions. In the first commitment period, 2008–2012, these countries are required to reduce their annual GHG emissions by specified percentages from their 1990 levels, averaging 5.2%. Developing countries (“non-Annex I”) still have no GHG reduction commitments. The Kyoto Protocol also sets up mechanisms enabling cooperative implementation of these commitments. These include emissions trading, joint implementation, and the clean development mechanism (CDM).¹

C. Convention on Biological Diversity (CBD), 1992

6. The Convention on Biological Diversity (CBD) addresses international concerns that human activities are rapidly altering natural habitats, resulting in loss of genetic, species, and ecosystem diversity at excessive rates.² Developing countries, including several from Asia, are among the world's megadiversity areas. The CBD accepted the principle of state sovereignty over these resources, affirming at the same time that its conservation “is a common concern of humankind.”

7. The CBD requires each country to develop national strategies, plans, or programs for the conservation and sustainable use of biodiversity. Special measures for ex-situ conservation have also been spelled out. The crux of the CBD is, however, its provisions for sharing benefits of conservation. These provisions seek to translate into certain mandatory elements of access agreements, the sovereign rights of states over these resources, which clearly include the right of regulating access. These are, first, that “prior informed consent” of the state granting access is necessary. Second, while such access should be on “mutually agreed terms,” certain minimum conditions are prescribed as to the content of such terms. These include the requirements that (i) the relevant research should, as far as possible, be carried out in the country providing the resource, and in any case with the full participation of that country; (ii) the products resulting from research and development using such genetic resources should be shared equitably with the country providing the resources; (iii) the profits of commercial use of genetic resources should be similarly shared; and (iv) the resulting technology should be transferred to the country providing these resources.

D. The Ramsar Convention on Wetlands (Ramsar, 1971)

8. Wetlands have major ecological functions, as regulators of water regimes and as habitats supporting biodiversity that is often rich. Wetlands are a resource of great economic, cultural, scientific, and recreational value. The Ramsar Convention seeks to promote the conservation and “wise use” of wetlands throughout the world by national and international action, and remains the only global convention focused on a specific ecosystem. The rationale for the treaty is that progressive encroachment on, and loss of wetlands constitute serious and sometimes irreparable environmental damage that must be avoided. Accordingly, wetlands should be conserved by ensuring their “wise use.” The treaty defines “wise use” as “*sustainable utilization for the benefit of mankind in a way compatible with the maintenance of the natural properties of the ecosystem,*” while “sustainable use” is understood as “*human use of a wetland so that it may yield the greatest continuous benefit to present generations while maintaining its potential to meet the needs and aspirations of future generations.*” “Wise use” may also require strict protection (i.e., no harvesting).

¹ Additionally, “Joint Fulfillment” enables countries to reallocate their GHG reduction commitments among themselves ensuring that the aggregate required reductions do not decrease.

² One estimate of extinction rates over geological time as 1 mammal species in 400 years and 1 bird species in 200 years. Recorded rates over historical time (400 years) are 58 mammal species, and 115 bird species. In 1990, about 12% of mammal species and 11% of bird species were classified as threatened. Of course, concern over species loss extends to the entire range of flora and fauna.

9. There are four main commitments of parties under the Ramsar Convention. These include (i) designating at least one site that meets the Ramsar criteria for inclusion in the *List of Wetlands of International importance (the "Ramsar List")*, and ensuring the maintenance of the ecological character of each Ramsar site.; (ii) including wetland conservation within the national land-use planning, so as to promote the "wise use" of all the wetlands (not only those included in the Ramsar List); (iii) establishing nature reserves on wetlands, and promoting training in wetland research, management, and wardening; and (iv) consulting with other parties on the implementation of the Ramsar Convention, in particular regarding transfrontier wetlands, shared water systems, shared species, and development projects affecting wetlands.

10. The Ramsar Small Grants Fund provides small grants (maximum SF40,000 per project) for projects in developing and transition countries. Multilateral and bilateral agencies have also assisted projects for wetlands conservation.

E. The Convention to Combat Desertification

11. The Convention to Combat Desertification (CCD) was adopted in response to developing country assertions that desertification should count as a global environmental problem. Asia has 1,949 million hectares of drylands. This constitutes almost 50% of Asia's surface area, and 30% of the world's total land area.³ Data on desertification trends is notoriously unreliable. However, according to assessments by the United Nations Environment Programme (UNEP),⁴ desertification affects 1,341 million hectares of productive drylands in Asia, which are estimated to be about 70% of total global drylands area.

12. The CCD defines "desertification" to be "land degradation in arid, semiarid, and dry subhumid areas⁵ resulting from various factors, including climatic variations and human activities." The objective of the CCD is, "...through effective actions at all levels, [to support] international co-operation and partnership arrangements, ... with a view to contributing to the achievement of sustainable development in affected areas."

13. To meet the CCD objective, parties are guided by three principles. The first commits parties to "ensure that decisions on the design and implementation of programs... are taken with the participation of populations and local communities, and that an enabling environment is created at higher levels to facilitate action at national and local levels." The second emphasizes the need for "international partnership and coordination to overcome traditional donor-driven and uncoordinated responses to dryland development." The third states that "Parties should take into full consideration the special needs and circumstances of affected developing country Parties, particularly the least developed among them." The CCD also emphasizes the need for programs to be conceived and implemented as integrated parts of development policies, particularly with "strategies for poverty eradication."

14. Affected developing country parties take on obligations to (i) give due priority to combating desertification and allocate adequate resources for this purpose; (ii) establish strategies and priorities for desertification control, within the framework of national sustainable

³ CERES. 1998. Inventory Study for the Interim Secretariat of the CCD.

⁴ UNEP/GRID. 1991.

⁵ Arid areas are defined as areas that receive a mean annual precipitation between 200-300 millimeters (mm), with interannual variation of 50-100%. Semiarid areas have mean annual values of 500-800 mm, with interannual variation of 25-50%. Dry subhumid areas have less than 25% interannual rainfall variability. In the CCD, "arid, semiarid, and dry subhumid areas" means areas, other than polar and subpolar regions, in which the ratio of annual precipitation to potential evapotranspiration of 0.05 and 0.65.

development plans; (iii) address underlying causes of desertification, paying special attention to socioeconomic factors and poverty; (iv) promote awareness and facilitate full participation of affected communities; and (v) provide an enabling macroeconomic, institutional, and legislative environment for improved dryland management.

15. Obligations of developed country parties include the responsibility to (i) actively support the efforts of affected developing country parties, (ii) provide substantial financial resources and other forms of support to implement strategies and programs, (iii) promote the mobilization of new and additional resources, and (iv) promote and facilitate access to appropriate technology.

16. The CCD is to be implemented through national action programs, which are to be complemented by subregional and regional action programs. The national action programs are intended to include action to (i) promote preventive measures; (ii) strengthen climatologic, meteorological, and hydrological capacities; (iii) build institutional capacities; (iv) ensure mechanisms for stakeholder participation; and (v) allow review and updating over time. The subregional and regional action plans are intended to harmonize national action plans within a region or subregion, address transboundary and common issues, and facilitate sharing of knowledge and approaches across countries.

F. The Basel Convention

17. The Basel Convention reflects the international community's concerns about the risk to human health and the environment posed by the uncontrolled movement and disposal of hazardous wastes.⁶ Developing countries were particularly concerned because their territories are often used for dumping wastes from other countries. Another of their concerns is that some imported wastes are recycled into usable materials in their countries (e.g., scrap iron into steel), and where the wastes are not hazardous, these recycling industries should not be denied their material inputs. The overarching objective of the Basel Convention is to further sustainable development by minimizing the generation of hazardous waste.

18. The three main objectives of the Basel Convention are to (i) reduce and control transboundary movements of hazardous waste, (ii) ensure that hazardous wastes are treated and disposed of as close as possible to their source of generation, and (iii) reduce generation of hazardous and toxic wastes. To achieve these objectives, the Basel Convention regulates the transboundary movements of hazardous waste to ensure environmentally sound management and disposal. The Basel Convention demonstrates new norms and procedures to manage the movement and disposal of hazardous waste at the international as well as the national levels.

19. Important commitments of the parties include (i) ensuring that the generation of hazardous wastes is minimized, taking into account social, technological, and economic considerations; (ii) ensuring environmentally sound management and safe disposal of hazardous wastes; (iii) preventing pollution and risk to human health and the environment from hazardous waste management; (iv) minimizing transboundary movement of hazardous waste and ensuring that any such movement does not pose risk to human health and the environment; (v) preventing export of hazardous waste to parties, in particular developing countries, that have prohibited such imports; (vi) providing sufficient information about transboundary movements of hazardous wastes; and (vii) cooperating with other parties and international organizations to improve environmentally sound management of such wastes and

⁶ Over 400 million tons of hazardous wastes are generated every year, and a significant fraction of it moves across national boundaries.

prevent illegal traffic. Specific areas of cooperation identified in the Basel Convention, in particular to enable developing countries to meet their commitments include (i) monitoring effects of management of hazardous waste on human health and the environment, (ii) developing and implementing low-waste technologies, (iii) transferring technology and management systems for hazardous waste and developing technical capacity, and (iv) developing appropriate technical guidelines and codes of practice.

20. Subsequent to its adoption, the conference of parties has agreed to ban the export of hazardous waste from developed to developing countries, prevent illegal traffic in hazardous waste, create an emergency fund, and adopt a protocol on liability and compensation.

II. SPECIALIZED FINANCIAL MECHANISMS

21. Several mechanisms that have been created or have special roles pertaining to multilateral environmental agreements are described below:

A. Global Environment Facility (GEF)

22. The GEF⁷ is identified as the financial mechanism for channeling financial and technological support to developing countries under the UN Framework Convention on Climate Change and the UN Convention on Biological Diversity. Its operations are organized in the categories of operational programs, which are an organizing framework for country-driven projects; enabling activities, which are means of fulfilling the requirements of national communications to a relevant convention, or provide a basic level of information for policy making and planning; and short-term response measures, which refer to projects that do not fall in either category, but would yield short-term global environmental benefits at low cost.

23. The GEF provides grant financing to cover the agreed incremental costs of achieving global environmental objectives in four focal areas: biodiversity, climate change, international waters, and ozone depletion. Activities to address land degradation, as it relates to these focal areas, are also eligible. The GEF was replenished with \$2.98 billion in 2002. Considerable scope exists to blend Asian Development Bank finance for sustainable development with GEF grant resources for global environmental objectives.

B. Mechanisms under the Kyoto Protocol

24. The Kyoto Protocol (para. 4) also sets up certain mechanisms enabling cooperative implementation of these commitments. These potentially market-based approaches include emissions trading, joint implementation, and the clean development mechanism (CDM). The first two mechanisms apply only between countries with actual greenhouse gas (GHG) reduction commitments, and are to be available from 2008. CDM, on the other hand, applies between Annex B and partner non-Annex I countries, and is expected to be operational before them.

25. Under emissions trading, Annex B countries that exceed their GHG reduction commitments may (voluntarily) transfer the excess credits to other Annex B countries that fall short, receiving negotiated monetary or in-kind benefits from the recipient country. This mechanism thus relates to GHG accounts at national aggregate levels. Under joint implementation, on the other hand, a firm

⁷ The GEF was restructured in 1994 after its pilot phase. It has three implementing agencies: the United Nations Development Programme, United Nations Environment Programme, and World Bank. As a GEF Executing Agency, ADB has been granted access to GEF resources under the GEF expanded opportunities decision of May 1999.

in an Annex B country may undertake a project that reduces GHG emissions from a baseline (“what would be expected to happen in the absence of the project”), transfer these reductions (reckoned from the baseline) to another firm in another (or the same) Annex B country, obtaining monetary or in-kind payments for transferring the GHG credits. CDM is similar to joint implementation, except that the project must be in a non-Annex I country. Additionally, CDM projects must promote sustainable development in the non-Annex I host country, while a share of the proceeds of CDM projects must be realized by an international regulatory body for climate change adaptation in vulnerable developing countries, and for meeting administrative costs of the mechanism.

26. The CDM has considerable potential for facilitating transfers of finance and technology to developing countries willing to cooperate with Annex B countries in enabling the latter to meet their GHG reduction commitments under the Kyoto Protocol. However, a number of difficult issues need to be resolved at the conference of parties, including linkages between the three mechanisms, before the CDM can start to function. A major attraction of the CDM is that, unlike the GEF or other official development assistance or multilateral funding, it is not dependent on donor support or preferences. In particular, it will facilitate private sector investment in GHG abatement projects in non-Annex I countries, involving both financing and technology transfers.

C. Mechanisms under the Basel Convention

27. Financial provisions under the Basel Convention include (i) a trust fund for the convention from contributions made by the parties to the convention, other government and intergovernment organizations, and other sources; and (ii) the convention requires a revolving fund for emergency situations, particularly for damage caused by accidents in transboundary movements of hazardous wastes.

D. Mechanisms under the Convention to Combat Desertification

28. Unlike the other Rio Conventions, which depend on a single financial instrument, the CCD embodies a multisource, multichannel approach to finance. Financing is to come from domestic resource mobilization, bilateral and multilateral channels, and the private sector. Article 21 of the CCD on financial mechanisms establishes a global mechanism to “increase the effectiveness and efficiency of existing financial mechanisms,” and “promote actions leading to the mobilization and channeling of substantial financial resources, including for the transfer of technology,” on a grant basis, and/or on concessional and other terms, to affected developing countries.” The global mechanism functions under the authority and guidance of the conference of parties and is accountable to it. The International Fund for Agricultural Development (IFAD) was selected to house the global mechanism. These three agencies form the nucleus of a facilitation committee for the global mechanism, which has been extended to include the regional development banks, and the GEF.

29. The CCD also provides the GEF with a supporting role as one of the relevant channels for convention finance. Article 20 of the Convention on Financial Resources calls upon developed country parties to promote new and additional funding from the GEF and other sources. This role is, however, circumscribed by the terms of the *Instrument Establishing the Restructured Global Environment Facility (GEF)*, whereby the agreed incremental costs of activities concerning land degradation, primarily desertification and deforestation, are eligible for funding (CCD Art. I, para. 2) but only as they relate to the GEF’s four focal areas (climate

change, biodiversity, ozone depletion, and international waters).⁸ The instrument is likely to be amended in October 2002 to allow a greater role for GEF in combating land degradation.

E. Mechanisms under the Ramsar Convention

30. The Ramsar small grants fund established under the Ramsar Convention provides small grants (maximum SF40,000 per project) for projects in developing and transition countries. Since 1990, 113 projects have been funded, totaling SF3.82 million. The conference of parties has established a target of \$1 million per year.

⁸ Land degradation is now fully integrated into the GEF operational strategy (GEF, 1996). It is likely to become a GEF Focal Area in its own right.

MEDIUM-TERM ACTION PLAN (2002–2005)

IMPLEMENTATION AND MONITORING MATRIX

Objectives	Medium-Term Actions (2002-2005)	Outputs and Performance Indicators
Assisting DMCs to invest in environmental protection and sustainable natural resource management for poverty reduction	<p>ADB environment lending and TA will focus on</p> <ul style="list-style-type: none"> • Protection, conservation, and sustainable use of natural resources through increased participatory resource management—with emphasis on conservation of biodiversity, protection and management of fresh water resources, protection of coastal and marine resources, and combating land degradation, including desertification. • Reduction in air, water, and soil pollution to reduce health risks, emphasizing the introduction of cleaner production techniques and practice and targeted assistance to small and medium enterprises. • Environmental improvement in urban and rural areas, emphasizing investments in water supply, wastewater management, solid waste management, hazardous waste management, and energy efficient urban transportation systems. • Reducing vulnerability to natural hazards and environment related disasters. 	<ul style="list-style-type: none"> • A key performance indicator will be the extent to which regional departments deliver projects with environment as a thematic priority, and the extent to which sectoral interventions capture opportunities for environmental improvement identified in country environment analyses.
Strengthening the capacity of DMCs for mainstreaming environment in economic growth and development planning	<p>ADB will assist DMCs to pursue</p> <ul style="list-style-type: none"> • Policy integration research. • Continued dialogue on policy integration. • Strengthening environmental planning and policy-making capability in development institutions. • Integrated economic and environmental planning. • Market-based and other policy instruments. • Environmentally responsible procurement, ecolabeling, and voluntary compliance programs. 	<ul style="list-style-type: none"> • Performance will be measured through quantitative and qualitative assessment of the extent to which policy dialogue, TA, and capacity building activities strengthen the policy, legislative, and institutional framework for environmental protection in each DMC.
Enhancing international, regional, and subregional cooperation for maintaining global and regional life support systems	<p>ADB will focus on</p> <ul style="list-style-type: none"> • Supporting subregional cooperation programs. • Assisting DMCs to implement multilateral environmental agreements and access relevant financial mechanisms. 	<ul style="list-style-type: none"> • Performance will be measured by qualitative assessment of ADB's role in assisting DMCs to implement MEAs, and quantitative and qualitative assessment of ADB operations that contribute to subregional environmental programs.
Strengthening partnerships	<ul style="list-style-type: none"> • ADB will initiate strategic alliances with key NGOs. • ADB will actively increase its partnership with the GEF, and enhance its capacity to help DMCs identify and develop ADB-GEF pipeline opportunities. 	<ul style="list-style-type: none"> • At a minimum, performance will be measured through quantitative and qualitative assessment of the number, coverage, and effectiveness of partnerships, and reporting on the accomplishments of each partnership.

Objectives	Medium-Term Actions (2002-2005)	Outputs and Performance Indicators
	<ul style="list-style-type: none"> • ADB will explore opportunities to enter into partnership with other agencies to develop a sector program for environmental management in one or more DMCs by 2004. • ADB will continue to participate in the Multilateral Financial Institutions Working Group on Environment to harmonize safeguard policies and procedures. 	
<p>Enhancing the integration of environmental considerations in ADB's operations</p>	<ul style="list-style-type: none"> • Increase the effectiveness of environmental assessment, through introduction of revised environmental assessment guidelines. • Training on the environmental assessment guidelines. • Ensuring greater accountability for development results. • Institutionalizing performance-based allocation of ADF resources. • Introducing environmentally responsible procurement practices and requirements. 	<ul style="list-style-type: none"> • The integration of environmental considerations in CSPs will be measured by the extent to which they (i) identify critical environmental issues facing development and poverty reduction in the country, and (ii) provide credible lending and nonlending responses to these issues. • Overall performance in regard to safeguard policies will be measured through the compliance monitoring system to be implemented by the Environment and Social Safeguards Division. • ADB will establish an effective mechanism for interdepartmental interaction and knowledge sharing through the environment committee and through internal networks along thematic and sector lines. Priority will also be given to establishing external networks for information sharing. • ADB will introduce a performance monitoring and reporting system to measure progress in relation to the five objectives of the environment policy.

ADB = Asian Development Bank; ADF = Asian Development Fund; CSP = country strategy and program; DMC = developing member country; GEF = Global Environment Facility; MEA = multilateral environmental agreement; NGO = nongovernment organization; TA = technical assistance.

SUMMARY OF RESOURCE REQUIREMENTS FOR IMPLEMENTATION OF THE MEDIUM-TERM ACTION PLAN

Program Element	ADB Resource Requirements	DMC or Partner Resource Requirements
A. Assisting DMCs to Invest in Environmental Protection and Natural Resource Management for Poverty Reduction		
1. Protection, Conservation, and Sustainable Use of Natural Resources 2. Reduction in Air, Water, and Soil Pollution 3. Environmental Improvement in Urban Areas 4. Reducing Vulnerability to Natural Hazards	<ul style="list-style-type: none"> • These program elements are designed to reduce poverty. • In principle, no additional resources will be required, as activities will be part of the normal lending operations within existing envelope. • However, additional resources may be required to meet ADB's environmental requirements during project preparation and implementation (see D, Strengthening Partnerships) 	
B. Strengthening the Capacity of DMCs for Mainstreaming Environment in Development Decision Making		
1. Policy Integration Research 2. Continued Dialogue on Policy Integration 3. Strengthening Environmental Planning and Policy Making in Economic and Financial Institutions 4. Ecolabeling and Voluntary Compliance Programs in DMCs 5. Market-Based Instruments	<ul style="list-style-type: none"> • TA funds • Staff time to manage TA • Staff to manage consultations—additional input of 0.5 person-months and/or policy-based loans; 5 person-months • TA funds • Staff time to manage TA • TA funds • Staff time to manage TA • TA funds • Staff time to manage TA 	<ul style="list-style-type: none"> • Counterpart participation in TAs • In-kind resources • DMC participation in consultations • Counterpart funding for participation • Extensive DMC participation as beneficiaries in TAs • Counterpart funding • Extensive DMC participation as beneficiaries in TAs • Counterpart funding • Extensive DMC participation as beneficiaries in TAs • Counterpart funding
C. Enhancing International, Regional, and Subregional Cooperation on the Environment for Maintaining the Global and Regional Life Support Systems		
1. Support for Subregional Cooperation Programs 2. Support for Regional Cooperation Programs 3. Acceleration of the Use of Financing Mechanisms in International Agreements	<ul style="list-style-type: none"> • TA funds • Staff time to manage TA • TA funds • Staff time to manage TA • TA funds • Staff time to manage TA 	<ul style="list-style-type: none"> • Counterpart participation • Counterpart funding • Counterpart participation • Counterpart funding • Counterpart participation • Counterpart funding
D. Strengthening Partnerships		
1. Maintaining Partnerships 2. Nongovernment Organization Partnerships 3. Environment Program Loans	<ul style="list-style-type: none"> • Staff or consultant time to manage and administer agreements • TA and other funds • Staff or consultant time to assist DMC to prepare program and negotiate policy matrix 	<ul style="list-style-type: none"> • Staff or consultant time to manage and administer agreements • Staff to participate in partnerships • Staff to prepare and negotiate program • Counterpart resources

Program Element	ADB Resource Requirements	DMC or Partner Resource Requirements
4. GEF Partnerships	<ul style="list-style-type: none"> • TA funds • Staff or consultant time to prepare and negotiate partnerships • ADB cofinancing funds • Additional full-time senior technical support staff to assist on global environment Issues 	<ul style="list-style-type: none"> • Counterpart participation • Counterpart funding • GEF resources
E. Enhancing the Integration of Environmental Considerations in ADB Operations		
<p>1. Increasing the Effectiveness of Environmental Assessment</p> <p>2. Ensuring Environmental Sustainability of Country Programming</p> <p>3. Ensuring Greater Accountability for Development Results</p> <p>4. Environmentally Responsible Procurement Requirements and Guidelines</p> <p>5. Institutionalizing Environmental Criteria for PBA of ADF Fund Resources and Developing National Environmental Performance Assessment Systems</p>	<ul style="list-style-type: none"> • Increased staff or consultant time to ensure environmental assessment requirements are met-in-house training and additional input of 3 person-months for strengthening categorization and environmental assessment process. Additional costs associated with consultation during environment assessment process (to be covered by project preparatory TA resources where applicable). • Staff or consultant time to manage or conduct environmental assessment— training of RM staff required • Additional 4 person-months/year for CEA • Increased time to monitor and report on project performance • Training for PAU and RM staff • Staff of consultant time to develop procurement requirements and practices—additional input of 2 person-months in 2002 • Implementation costs in changing format and approaches to international bidding • Implementation costs in changing contracts and other arrangements with suppliers • TA of \$500,000 as ADB contribution to a \$2 million, 3-year system development program • Staff equivalent of 3 person-months/regional department/year to measure and report environmental performance for PBA- training required for national staff in Resident Missions to enable assessment by RM 	<ul style="list-style-type: none"> • Increased staff time for preparation of environmental assessment reports • Increased staff time for review of environmental assessment reports • Increased staff time for consultation • Costs of adequate implementation of EMPs • Increase staff time to participate in country programming • Greater efforts to provide reliable environmental background data • Increased staff time to monitor and report on project performance, and implement overall environmental performance monitoring • Additional costs to suppliers to meet the new requirements • DMC staff time to monitor and report on environmental performance criteria

ADB = Asian Development Bank; ADF = Asian Development Fund; CEA = country environmental analysis; DMC = development member country; EA = environmental assessment; EMP = environmental management plan; GEF = Global Environment Facility; PBA = performance-based allocation; RM = resident mission; TA = technical assistance.