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THE ROLE OF NON-GOVERNMENT ORGANIZATIONS IN THE DEVELOPMENT OF ENVIRONMENTAL POLICY AT THE ASIAN DEVELOPMENT BANK

BY PETER J. ILLIG*

I. INTRODUCTION

The Asian Development Bank (ADB) was founded in 1966 to meet the urgent needs of more than 700 million people living in poverty in the Asia-Pacific region. The ADB is charged with designing and providing a source of funding for regional economic development projects. These projects are structured to alleviate poverty and stimulate economic growth, while at the same time ensure the viability of the region's ecosystem. Compared to other global multilateral lending institutions, such as the World Bank, the ADB is considered the most powerful and influential organization effectuating changes in the economic and social patterns of the developing countries of the Asia-Pacific Region.¹

To date, the ADB loaned and invested over U.S.\$37.8 billion to various government and private agencies in Developing Member Countries (DMCs).² On balance sheets, the DMCs of the Asian Development Bank have increased their economic health during the past ten years. However, poverty on average has increased rather than decreased, and the overall quality of life has deteriorated for the majority of the people in the region.³ It is estimated that more than half the world's poor live in Asia.⁴

In light of the growing disparity between the total amounts loaned to

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1. See, ADB WATCH, Vancouver, Apr. 1991.

2. *Id.*

3. *Id.*

4. *ADB Plans Poverty Study*, THE WORLD BANK WATCH, Feb. 25, 1991, at 4.

DMCs and the failure to attain targeted goals, it is necessary to re-evaluate the existing ADB development projects and models. The emerging consensus among the proponents of Asian development is that the existing developmental projects, which are based on Western models, are not applicable wholesale across the globe.⁵ Western models function best in secure and predictable social systems, such as the democracies in which they originate.

In addition to funding projects that promote economic development, the ADB has acknowledged that it needs to fund projects that maintain social and political stability, and reduce environmental degradation.⁶ Similarly, environmental and anti-poverty groups from around the world have noted that existing development projects disenfranchise and marginalize indigenous populations across Asia, and that these projects contribute to environmental degradation unparalleled in modern times.⁷

II. CAN WE BANK ON A GREENER ADB?

In response to what is perceived as the ADB's continuing failure to make real economic progress, a number of non-governmental organizations (NGOs) came together, in May of 1992, at the 25th Annual General Meeting of the Asian Development Bank, to speak out against the outdated, unfocused loan and investment policies of the ADB.⁸ This marked the fourth consecutive year that NGOs lobbied the 51-member bank, government representatives and members of the worldwide press to do more to clean up the environment, to save the tropical rain forests and to focus their lending and investment policies in

5. See, *Lenders' Policies Can Hurt Economies by Ignoring Environment, Report Says*, 15 Int'l. Env'tl. Rep. (BNA) No. 18, at 578 (Sept. 9, 1992).

6. John Ferry, *Asian Aid Bank Must do More for Women and Poor, Critics Say*, THE REUTER LIBRARY REPORT, April 24, 1991, AM cycle; *Market for Environmental Goods, Services Growing in Southeast Asia, IFC Report Says*, 15 Int'l. Env'tl. Rep. (BNA) No. 20, at 641 (Oct. 7, 1992).

7. *Severe Pollution Problems in Region Said to Create Growing Export market*, 15 Int'l. Env'tl. Rep. (BNA) No. 11, at 360 (June 3, 1992); *Industrialized, Developing Nations Urged to Work More Closely on Environmental Issues*, 15 Int'l. Env'tl. Rep. (BNA) No. 11, at 368 (June 3, 1992).

8. The 25th Annual General Meeting of the Asian Development Bank was held in Hong Kong in May of 1992. For a copy of the transcript write to the ADB, P.O. Box 789, Manila 1099, Philippines, or call (63-2-711-3851). The ADB's fax number is (63-2-741-7961).

environmentally sound projects.⁹

Several regional NGOs, including the Asian NGO Coalition from the Philippines, the Environmental Foundation from Sri Lanka, and the Project for Ecological Recovery in Bangkok, had firsthand knowledge and experience with disastrous ADB-financed development projects. For instance, these organizations addressed the ADB-funded Kirindi Oya irrigation project that displaced 4000 farmers in Sri Lanka and the ADB-funded reforestation project in the Philippines that displaced upland farmers.¹⁰ Also, the NGO case studies presented at the conference recounted many incidents of displaced indigenous populations, rampant environmental degradation, and economic benefit to a minority of special interests' groups, including corrupt foreign governments.¹¹

In a formal letter to Mr. Kimimasa Tarumizu, President of the ADB, the NGOs highlighted the conflict between the ADB's mission to alleviate poverty and to promote environmentally sound economic development, and the adverse results of its projects on the region's poor and environment.¹² One of the recurring results of improperly implemented ADB-financed projects has been the marginalization of the traditional lifestyles of indigenous people. The NGOs specifically criticized the ADB's lending policy because it did not account for the negative effect that its projects could have, and did have, on the region's ecosystem. Damage to the region's ecosystem ultimately means that indigenous populations can no longer sustain their traditional social structure and pursue their livelihood.¹³

Also, the ADB's lending policy has negatively affected the global environment. This is evidenced by the fact that the ADB has not had a comprehensive strategy to address crucial global issues such as ozone depletion, global warming, tropical deforestation, loss of biodiversity, and pesticide poisoning. However, according to John Boyd of the ADB's Office of General Counsel, the ADB has recently revised its environmental policies to evaluate the effect of its projects on global warming and to promote safe management of

9. ASIAN DEVELOPMENT BANK, *ECONOMIC POLICIES FOR SUSTAINABLE DEVELOPMENT* (1990); see also, John Ferry, *Asian Aid Bank Must do More for Women and Poor, Critics Say*, *supra* note 6.

10. The 25th Annual Meeting of the Asian Development Bank, *Supra*, note 8.

11. *Id.*

12. *Id.*

13. *Id.*

pesticides.¹⁴

The NGOs pointed for the need to "democratize" the ADB's development projects.¹⁵ In order to promote environmentally and socially sound development projects, the NGOs maintained that the ADB should consult, at the grassroots level, with project beneficiaries to determine their real needs and should conduct a comprehensive environmental impact assessment.¹⁶ The NGOs further maintained that they have a role in establishing the baseline needs and concerns of bank-financed targeted populations.¹⁷ By employing the NGOs plan, the ADB will eventually achieve its objectives in a people-friendly, cost-effective and environmentally-enhancing manner.

III. CURRENT ENVIRONMENTAL POLICY

The ADB's effort to restructure its lending policy should not go unnoticed. It is making strides in reducing the negative impact of its development models on the local region. Presently, the ADB does screen its agricultural and rural development projects and builds into their design mechanisms by which local communities – both with and without NGOs – can address development issues dealing with the region's ecosystem and economy.

It is the ADB's policy that every bank-assisted project that can potentially have an adverse impact on the environment undergo an environmental impact assessment (EIA). These EIAs include scientific and socio-economic studies which detail whether and how a development project has an adverse impact on the environment. Also, the EIAs include recommendations on how these negative environmental factors can be averted or mitigated. Furthermore, the EIA process provides an opportunity for the affected public, ADB-financed-project beneficiaries and NGOs to review and comment on the EIA. Lastly, the EIA process requires that all appropriate environmental safeguards be built into the project before the ADB approves it for funding.¹⁸

14. John Boyd, Remarks at the American Bar Association's Conference on Trade and the Environment in Pacific Rim Nations (February 17, 1993) (transcript available from the American Bar Association).

15. The 25th Annual Meeting of the Asian Development Bank, *Supra*, note 8.

16. *Id.*

17. *Id.*

18. ASIAN DEVELOPMENT BANK, THE ENVIRONMENTAL PROGRAM OF THE ASIAN DEVELOPMENT BANK (Apr., 1991); ASIAN DEVELOPMENT BANK, ENVIRONMENTAL PLANNING AND MANAGEMENT AND THE PROJECT CYCLE (Apr., 1991) (For copies of the work cited herein write to the Asian Development Bank (ADB), Information Office, P.O. Box 789, Manila 1099, Philippines).

Development projects need to be focused, and in many ways are being focused, toward environmentally sustainable development for the rural poor of Asia. This is important because the vast majority of the population in Asia is agrarian based. Historically, development projects have disenfranchised the rural poor by displacing them from their lands and by changing their traditional ways of living.

IV. THE CASE FOR EXPANDED NGO INVOLVEMENT

At the Expert Group Meeting on a Survey of the Quality of Life in the Asian Region, several panelists maintained that the social policies and activities of the ADB, which are embodied in its present development model, "must focus beyond aggregate economic growth to a reduction of poverty and greater equity, to progress in education, health, nutrition and population planning, and to the protection of the environment."¹⁹ Since ADB-financed projects negatively affect the traditional lifestyles of targeted beneficiaries, the panel also suggested that bank-financed projects include acceptable alternate employment opportunities. These opportunities may include inducements for the targeted beneficiaries to adopt lifestyle-practices which enhance local resources by managing them in a sustainable manner.²⁰

It is worth noting that the rural poor is not the only group that may be negatively impacted by banked-financed projects. Any group, urban or rural, could be harmed by the adverse effects that development projects have on the region's ecosystem. Families, and in some cases entire neighborhoods, have been displaced from their homes and jobs because of development projects like new highways, railways and dams. In other instances, families have had to end their traditional occupations due to water, air, and land pollution, as in the case where farming and grazing lands are polluted by development projects.

V. INCLUSION OF NGOS IN POLICY MAKING

The ADB has researched ways to use local NGOs in the development of ADB-financed projects. Specifically, the ADB looked into the role that NGOs can have in educating targeted populations on environmental issues, reforestation, water and soil conservation, and management of fisheries. Also, the ADB researched the role NGOs can have in promoting environmental-friendly farming practices.

In the last five years, over U.S. \$200 million were invested in Bank-funded

19. Musunuru Rao and William Staub, *Social Dimensions: Policies and Activities of the Asian Development Bank*, Address Before the Expert Group Meeting on a Survey of the Quality of Life in the ESCAP Region (Seoul, Republic of Korea, Aug., 1992) (transcript available with the authors).

20. *Id.*

technical assistance projects. These projects contained NGO components which are aimed at improving the management of natural resources and the environment. In fact, since 1989, on average, the ADB has sponsored each year five technical assistance programs and seven loan projects which require NGO involvement in the implementation of ADB-financed development projects.

In October of 1990, at the First Ministerial-Level Conference on the Environment for Asia and the Pacific, the largest gathering of Asian Environmental NGOs, the conference participants adopted the "Universal Code of Environmental Conduct."²¹ This Code, in pertinent part, states that all peoples and their governments would strive to protect, promote and support lifestyles that enrich both cultural diversity and moderation of wants based upon ecologically sustainable principles, growth and development.²² This development was recently followed by the Second ADB-NGO Consultative Meeting on Environment and Natural Resources Management sponsored by the ADB in Manila in October, 1992. At the Conference, Dr. Kazi Jalal, Chief of the ADB Office of the Environment, urged a pragmatic approach in balancing the promotion of environmental awareness and the environmental ethic of development proponents such as NGOs, regional and international institutions, and governments in the struggle for economic development.²³

Dr. Jalal clearly identified the essence of the Asian development problem when he stated that the ADB struggles in locales where poverty and low level of economic development are the root causes of environmental degradation.²⁴ Dr. Kazi Jalal's observation is significant. His comments affirm the current paradigm espoused by many development proponents concerning the relationship between social systems and the environment, namely, that a stable democracy together with development are key factors, if not necessary, to alleviate poverty because the combination of these factors promote societal

21. *United Nations: Conference on Environment Adopts a Milestone Declaration*, BANGKOK POST, Oct. 24, 1990; *Thailand: Time Running Out for Asia*, SOUTH CHINA MORNING POST, Oct. 23, 1990; *Asia Pacific: Ministers Endorse "Sustainable Development" Strategy*, INTERNATIONAL PRESS SERVICE, Oct. 17, 1990.

22. For copies of the "Universal Code of Environmental Conduct" write to the United Nations Development Programme (UNDP) or to the ADB.

23. Dr. Kazi Jalal, Remarks at the Second Annual ADB-NGO Consultative Meeting on Environment and Natural Resource Management (Manila, Philippines, October, 1992) (transcript on file with the ADB).

24. *Id.*

equity and opportunity.²⁵ Importantly, it is purported that a democracy and development are able to accomplish this in an environmentally sensitive manner, thereby ensuring the long-term welfare of developing societies.

Conference-participants also underscored the need for information and technical assistance. The NGOs were called upon to provide direct information, knowledge, and expertise to local beneficiaries of ADB-financed projects, and to allow targeted populations to make their own informal decisions with respect to the viability of ADB-financed projects.²⁶ To emphasize the importance of the availability of relevant information in local decision-making, the NGO Conference was reminded that Maurice Strong, Secretary General of the United Nations Conference on Environment and Development (UNCED) stated that: "The skills and knowledge which humans possess are critical in determining their interactions with nature. Environmental problems that arise from ignorance or lack of awareness are avoidable. All individuals must become aware of their impact, have access to accurate information, the skills and tools to make environmentally sound decisions, and an environmental ethic to guide their actions. In the future, environmental literacy and competence are critical."²⁷

In an attempt to consolidate this viewpoint into practice, the ADB points to a number of steps which reflect their intent to amend their present development model. The ADB is presently revising its official policy in cooperation with several Asian NGOs. Furthermore, in April 1992, the ADB established a Social Dimensions Unit to act as Bank-side focal point for the NGOs, and holds periodic meetings such as the Consultative Meeting on Environment and Natural Resources Management with the NGOs.

Quite uniquely, and welcomed by a majority of the NGO community, is the placement of an NGO Coordinator within the Social Dimensions Unit. This position was created to maintain a dialogue with the NGO community and facilitate the resolution of issues and concerns originating from development projects.

The new Social Dimensions Unit of the ADB, and in particular its NGO coordinator, have acknowledged that NGOs apply their resources in well

25. Filomeno S. Sta. Ana III, A Critique of the Asian Development Bank's Strategy, Objectives and Thrusts in the Philippines, Address Before the 25th ADB Annual Board of Governors Meeting (Hong Kong, May 1992). Mr. Filomeno S. Sta. Ana III is the Director of the Freedom from Debt Coalition. Correspondence should be addressed to c/o University of the Philippines, School of Labor and Industrial Relations, Dilliman, Quezon City 1101, Philippines.

26. See, Dr. Kazi Jalal, *supra*, note 23.

27. *Id.*; see also, Maurice Strong, Address Before the United Nations Conference on Environment and Development (Brazil, June 1-14, 1992) (Earth Summit) (transcript on file with UNCED).

focused areas to gather the necessary pre-project information at the grassroots levels. From an optimistic NGO perspective, and given the recent developments in Bank policy, it would seem that it is only a matter of time before it becomes part of the project cycle to retain NGOs for the specific task of identifying potential beneficiaries of a project, their needs and demands, and their capacity to organize, participate, manage and operate development projects. NGOs also have a role in identifying the ability and willingness of local communities to invest time and services in the proposed development projects. This assessment will help the ADB and other concerned parties to determine the long-term viability of the project.

Finally, in the ADB's 1992-1995 Medium-Term Strategic plan, the Bank identified five inter-related and overlapping goals for its development projects. These are as follows:

- i. promotion of economic growth,
- ii. reduction of poverty,
- iii. improvement in status of women,
- iv. progress in population planning,
- v. promotion of sound management of natural resources and the environment.²⁸

The Bank emphasized the intimate interdisciplinary relation and function between these factors. All of these factors are integral to improving the quality of life for the people of the Asia-Pacific Region.

VI. THE PATH AHEAD

While there has been unquestionably a shift within the ADB towards more environmentally and socially responsible lending policies, the NGO community maintains that it is not occurring as quickly as is necessary. In particular, there is the need to immediately expand the expertise base and the number of Bank staff dedicated to evaluating and minimizing the environmental and social impacts of Bank-financed projects. Furthermore, there are additional issues that must be considered to permanently include NGOs in the decision-making process of the ADB's project and lending policies. For example, do NGOs have the expertise to make an informed decision, and/or the capacity to adequately counsel the local community as to the costs and benefits of the project? If not, will the ADB be willing to provide the resources necessary to assist in this decision-making process?

The ADB acknowledges the complementary roles of NGOs and public agencies in the implementation of development projects. However, it is also

28. ASIAN DEVELOPMENT BANK, THE BANK'S MEDIUM-TERM STRATEGIC FRAMEWORK 1992-1995 (1992)

necessary to determine whether governments or government agencies of the Developing Member Countries are in fact amenable to the inclusion of NGOs in the ADB's decision-making process. The unfortunate track record, which the NGO community seeks to change, is that historically, economic considerations have overridden social and environmental considerations of many development projects. Only time will tell if the influence of local, regional and world advocacy groups will be able to successfully play a role in effectuating the necessary changes in lending policies to bring about the laudable goal of poverty alleviation and sustainable development.

