

East Asia and Pacific Region



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INDONESIA

Nearly a decade ago, the simultaneous occurrence of the East Asian financial crisis of 1997 and a regional environmental crisis manifested by raging forest fires illuminated basic weaknesses in policy and institutional frameworks in the financial and environmental areas that jeopardize the region's development. The economic downturn that followed the crisis created an opportunity to reexamine the relationship between economic growth and the environment and to increase the emphasis on issues such as corruption, illegal practices, and lack of accountability—all of which are crucial in promoting sustainable economic growth. Most of all, it reinforced the importance of poverty reduction for poor communities that depend on natural assets for their livelihood.

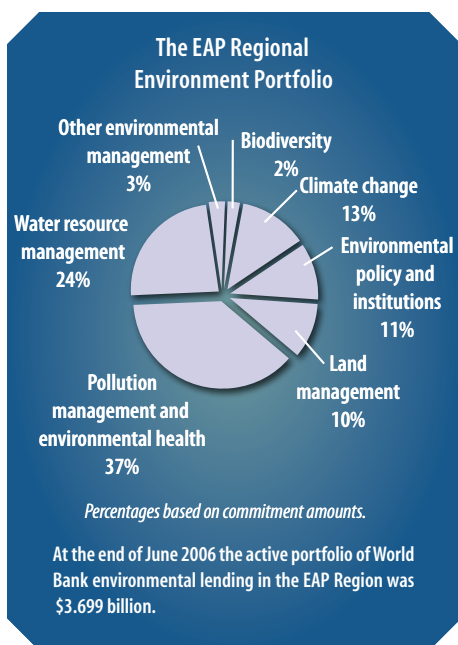
Over the past year, the Bank has been working with client countries to strengthen environment and natural resources governance, focusing on (a) voice and participation of stakeholders and developing the demand and constituency for good environmental governance; (b) transparency and information disclosure to enable sectoral

monitoring, improved decision making and accountability; and (c) law enforcement and compliance with environmental regulations, frameworks, and conventions at the national and international levels.

The East Asia and Pacific Region lending portfolio has focused on projects that address pollution management and environmental health and water resource management. At least 11 percent of the portfolio supports strengthening environmental policies and institutions (see Figure, top of next page).

Community Involvement and Public Participation

At the end of the 1990s, East Asian countries began, to varying degrees, a transition to a more participatory society. The Philippines has a vibrant community of some 60,000 environmental NGOs and civic groups, which have been active in establishing partnerships



with business and the government to raise awareness about environmental stewardship. In Thailand, the government is gradually increasing its support to community-based initiatives thanks to Article 290 of the new Constitution, which advocates a stronger role for civil society in environmental management. In Vietnam, the latest five-year environmental action plan recognizes a limited role for communities in implementation and in environmental monitoring.

Since 2000, the Bank's pioneering program on Faiths and Environment has been helping counterparts in Cambodia, Indonesia, and Mongolia strengthen social accountability and civic engagement in forest and biodiversity conservation and protection. Through the multiyear Poverty-Environment Nexus Program, the Bank has been exploring demand-driven environmentally sustainable approaches to poverty reduction in Cambodia, Lao PDR, and Vietnam. Finally, the *Environment Monitor* series continues to be a successful tool to help disseminate information about environmental indicators and to engage and inform stakeholders on key environmental trends at regional and country levels. The two latest issues focused on coastal resources management for the Philippines and biodiversity conservation in Vietnam.

Transparency and Accountability

Improved transparency about environment and natural resource management by governments and corporations could contribute to better governance and support long-term poverty reduction. The Asia Forest Law Enforcement and Governance (FLEG) initiative brings timber-producing countries in the Asia-Pacific region together with various timber-consuming countries such as the United States, United Kingdom, Japan, China, and Canada to combat illegal logging associated with trade and corruption through a systemic governance and law enforcement approach. Indonesia is spearheading unprecedented forest governance and transparency initiatives to manage forests, collect forest revenue, attract forest investment needed to revitalize the timber industry, and promote Indonesia's timber products in international markets. In consultations with civil society, development agencies, and the private sector, the Ministry of Forestry and other relevant institutions have launched (a) the Forest Transparency Initiative, which aims at making reliable and up-to-date forest infor-

mation available to decision makers through the development of a sectoral disclosure policy; and (b) the Forest Law Enforcement and Governance initiative to implement and support a systematic, comprehensive framework of measures of prevention, detection, and suppression of forest crime.

Launched in Johannesburg in 2002, the Extractive Industry Transparency Initiative (EITI) is a global multistakeholder process involving governments, business, and civil society that specifically aims at promoting transparency in the extractives industries. East Timor joined EITI in 2003 to create a Petroleum Fund and ensure a transparent and equitable administration of future revenues from oil and gas activities. Given the importance of mining resources for the country's economy, Mongolia entered EITI in 2005. The National Forum for Mining, Regulation, and Environment, held in Ulaanbaatar in May 2006, attracted 380 participants and provided the opportunity for a forward-looking discussion on how to move toward sustainability in the mining sector.



Public Information Disclosure

Over the past decade, public information disclosure programs have been emerging as one of the most effective policy tools for improving environmental management as well as the reputation of firms in the region.

Since 1995, the Government of Indonesia has been implementing the Program for Pollution Control, Evaluation, and Rating (PROPER) to inform the public about the environmental performance of the country's industrial sector and to improve Indonesia's weak legal system for enforcing environmental regulations. Participating companies get a performance rating, which is disclosed to the public through a formal press conference and publication in newspapers. Starting in 2001, PROPER targeted not only water pollution, but also air pollution, hazardous waste treatment, and community relations, and its ranking coverage has expanded from 85 factories in 2002 to 466 in 2005. In 2002, PROPER was complemented by the Good Environmental Governance program, which monitors and ranks the environmental performance of cities to encourage local government responsiveness to citizens' environmental concerns, as well as citizens' participation in local environmental governance. By its third year, some 133 local governments had signed on to the program.

Modeled on PROPER, China's GreenWatch Program represents the most ambitious approach to public information disclosure to date in the region. Launched in 1998, the program is unique in breadth; it covers all major air, water, and toxic pollutants for more than 5,000 industrial enterprises. In the Philippines, the Department of Environment and Natural Resources (DENR) is considering adopting an information disclosure program for beach water quality to promote better environmental management at the local level. The Beach Eco-Watch Pro-

Illegal Wildlife Trade in the East Asia and Pacific Region

A recent World Bank discussion paper—*Going, Going, Gone... The Illegal Trade in Wildlife in East and Southeast Asia* (2005)—looks at the key driving forces behind the growing illegal wildlife trade and provides some suggestions on how the World Bank, through its lending and non-lending activities, can contribute to curbing this negative trend. As a result of rapid economic growth, regional demand for illegally traded species has been increasing rapidly, particularly in China, where the growing popularity of traditional medicine has raised demand for many endangered species products, such as tiger bone, which is used for treating arthritis and other joint ailments, and rhino horn used for the treatment of fever. Another study—*Silent Steppe: The Illegal Wildlife Trade Crisis in Mongolia*—found that the trade in wildlife is a major contributor to the Mongolian economy. The trade in fur, for example, is estimated to be about \$100 million, making it possibly the third largest contributor to the country's economy behind mining and tourism. This contribution, however, is not sustainable and has led to significant population declines in many species.

gram would rate beaches according to suitability for recreation and water quality, and help raise awareness of the need for adequate sanitation and sewerage in coastal areas for sustainable tourism.

The Bank's technical and analytical work promotes greater public information disclosure by raising awareness about the magnitude of environmental challenges in the region. An ongoing economic sector work quantifies the physical (including health) and economic burden of air and water pollution in China, further underscoring the urgent need for addressing these issues. Two studies found that wildlife trade in the region is significant, but is not sustainable (see Box, above). In addition,

a technical assistance grant in Mongolia is facilitating increased public access to information (see Box, below).

Compliance

Compliance with national and international conventions and agreements is a key component of good environmental governance. Under the Global Environment Facility (GEF), two demonstration projects dealing with persistent organic pollutants (POPs)—PCB Management and Disposal Demonstration and Demonstration of Alternatives to Chlordane and Mirex in Termite Control—have been approved by the Bank's Board of Directors. In the context of the post-Kyoto

Mongolia Governance Assistance Project

In Mongolia, laws and regulations protect the public's right to environmental information, but this right is severely constrained by bureaucratic hurdles, an absence of venues to obtain such information, and low public awareness. Even when agencies would like to disclose information, they often lack the budget and the capacity to do so. As a result, the lack of information sharing adds to a general lack of trust in officials and a public perception that political wrongdoing is common and acceptable.

Under a five-year technical assistance grant, the Governance Assistance Project (GAP) includes a public information disclosure program targeting the number and quality of environmental impact assessments, and a country-wide awareness campaign to broaden access to information about environment and natural resources management. GAP is meant to strengthen efforts by the Ministry of Nature and Environment and the State Inspection Agency toward sustainable environmental management.

framework on climate change, the East Asia and Pacific Region worked with the Government of China to establish the China Clean Development Mechanism Fund and successfully completed the China HFC-23 Emission Reduction Project for 129 million tons of emission reductions.

EAP has also been working with client countries to strengthen their safeguards systems. In Vietnam, a joint donors' review of environmental assessment policies and practices has been finished and an action plan for narrowing the gap with respect to international standards is under discussion with the government. In the Philippines, the assessment of the country safeguards systems generated interesting discussion among NGOs, civil society, DENR, and the donor community. In Indonesia, the Bank is supporting the strengthening of the environmental impact assessment process in the context of the government's decentralization policy.

Looking Forward and Key Upcoming Challenges

Increasing attention to governance as the enabling condition for poverty reduction and economic growth, and the ensuing pressure to "raise the bar," require moving from general discussions to tackling specific sectoral governance issues. The region is well-positioned for (a) scaling up public-private partnerships for improved natural resource governance, with a focus on certification and tracking schemes for commodities (such as timber), and voluntary industry codes of conduct for sustainable resource management, including increased emphasis on corporate social responsibility initiatives (see Box, at bottom right); and (b) given the pace of decentralization, pioneering innovative ways to tackle natural resource management and environmental governance issues at the sub-national level.

— World Bank Institute —

Strengthening Environmental Governance in China

The World Bank Institute's recent work on the environment in China has been geared toward promoting good environmental governance and institutional capacity building through multistakeholder participation. Current China learning programs identify strong cases of local proactive governance that have significantly improved environmental actions at local and regional levels, as well as "bottlenecks" that hinder good governance actions. In the process, the China program has gained deeper knowledge on the drivers and links of good practices on the ground, and used the new knowledge and lessons learned to strengthen governance for environmentally sustainable actions and investments.

WBI has worked with the China State Environmental Protection Administration (SEPA) to train their directors across the country to support China's environmental regulation, policy, and law enforcement. Reflecting serious water challenges in China, WBI has worked closely with Ministry of Construction, SEPA, and Ministry of Water Resources on technical assistance and training on water and wastewater regulation. WBI has also assisted the government to mainstream and upstream environmental concerns in the policy and planning process, through its Strategic Environmental Assessment Training Program.

Corporate Environmental and Social Responsibility

Voluntary improvements in environmental performance by the private sector have considerable potential to increase environmental compliance in the EAP region. Corporate Environmental and Social Responsibility activities in EAP countries are on the rise. Over 6,700 organizations in the region, most of them in China, have obtained ISO 14001 certificates. About 190 participate in the Global Compact, which promotes commitments to environmental and labor-related principles. Some large companies are also members of the Global Reporting Initiative (GRI) and follow the GRI's environmental reporting guidelines. In addition, eco-labeling programs have been established in China and Taiwan, Malaysia, the Philippines, and Thailand. The Philippines, Taiwan, and Thailand are also members of the Global Eco-labeling Network, which promotes cooperation, information exchange, and harmonization of eco-labels.

In the coming year, EAP will continue to move toward a more consistent and results-oriented approach to governance. Among the key initiatives to be developed are the Forest Transparency Summit in Indonesia, which will launch a comprehensive set of disclosure policies for the sector; the Asia Ministerial Meeting on Forest Law Enforcement and Governance to scale up existing commitments toward transparency, enforcement, and control of illegal logging and trade of illegal timber products; the launch of the second round of activities financed by the Mongolia—Netherlands Trust Fund for Environmental Governance; and the scale up of the PROPER and Good Environmental Governance programs in Indonesia, as well as country-specific policy action to respond to the disclosure of the CPIA ratings.

This article was prepared by Giovanna Dore, (202) 473-2934, gdore@worldbank.org; Mario Boccucci, (202) 473-8476, mboccucci@worldbank.org, and Marija Kuzmanovic, (202) 473-7031, mkuzmanovic@worldbank.org, all of the Environment Sector Unit of the East Asia and Pacific Region. EAP website: <www.worldbank.org/eapenvironment>.