

From Bystanders to Collaborators:
New Roles for Civil Society
In Urban-Industrial Environmental Governance
in Asia¹

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June 2001

¹ Prepared for the Working Paper series accompanying the Asian Development Bank's *Asian Environment Outlook 2001*. The paper draws from Lyuba Zarsky and Simon S.C. Tay, 'Civil society and the future of environmental governance in Asia,' in David P. Angel and Michael T. Rock, eds. *Asia's Clean Revolution, Industry Growth and the Environment* (Greenleaf Publishing 2000). Suzanne Beck and Sandra Buffett of the Nautilus Institute's Globalization and Governance Program provided research assistance.

Introduction

Asia is in the midst of an industrial and agrarian revolution. Over the next two decades, Asian peoples will undergo massive changes in where and how they live as well as how they make their livelihood. Asian ‘mega-cities’ will become centers of economic, social and political life and will enormously impact Asia’s ecosystems and resources. Within these urban-industrial agglomerations, growing middle and under classes will increasingly demand political voice

The key to Asia’s environmental future lies in the evolution of the character of governance--the ensemble of social ethics, public policies and institutions which structure how business, households, and governments interact with the environment. The key to good environmental governance, in turn, depends largely on how effectively an increasingly organized and vocal Asian civil society is able to press demands for social and environmental accountability on both governments and industry. In the past, citizen and community groups have largely been bystanders in environmental policy making and implementation in Asia.

This paper explores an emerging approach to environmental governance characterized by the institutionalized and strategic engagement of civil society groups. It focuses particularly on the roles of civil society in monitoring, prodding, cajoling and/or partnering with government and/or the private sector to improve environmental performance in an urban-industrial setting.

Part I first outlines the current conjuncture of urban-industrial and civil society growth in Asia and argues that the critical variable in terms of environmental impact is the evolution of governance. It critically evaluates the prevailing state-centered, command-and-control model and sketches a new, multiple-agent approach based on the engagement of civil society.

Part II outlines six functional roles for civil society groups and considers new roles for government in a ‘multiple agent’ model, including in helping communities monitor industry environmental performance. Part III sketches three designs for collaborative governance: community partnership, constructive engagement, and stakeholder consultation. Part IV examines the influence of international NGOs on Asian civil society and environmental norms, including ‘social responsibility’ norms for business.

Part V concludes that a shift of Asian civil society groups from bystanders to collaborators in environmental governance could bring significant benefits to society as a whole. To capture these benefits, however, governments and their development partners must make significant investments in public education, environmental

information, and institutional design, especially effective institutions for stakeholder consultation.

I Governance, Civil Society, and the Urban-Industrial Nexus

Asia's environmental future will be largely determined by the evolution of governance. "Good" governance generally entails transparency, fair treatment, and accountability. Societies that are governed well encourage a sense of social solidarity, which is very valuable in problem-solving. Good environmental governance entails the integration of environmental with social, political and economic objectives such that the long term sustainability of ecosystems is preserved.

The scope and strength of governance will be especially important in the context of urban and industrial growth. Asia is in the midst of an industrial and agrarian transformation that has had and will have enormous environmental, as well as social, impacts. A great "rural to urban" transition is in motion: by 2025, fifty five percent of Asia's people will live in cities, up from thirty five percent in 1995. One hundred and fifty four cities in Asia had populations of 750,000 or more in 1995 (World Resources Institute, 1996).

Asian cities are major agglomerations of the region's population and industry. Urban areas account for 80 percent of economic activity in Asia (ADB, 1997). As urban-industrial centers, Asian cities put great stresses on the natural environment. These stresses are felt both within the city itself and in the 'hinterlands' throughout the region and beyond that supply energy and resources for production and consumption--and receive the pollutants that eke out. Some of the most severe environmental stress is directly related to industry and industrial processes: water, air, ground and coastal/marine pollution; hazardous and toxic waste; heavy metals and industrial chemicals; depletion of energy and resources (water, timber, minerals) used for industrial processes.

Environmental and social stress also stems from the lack of adequate infrastructure and services for a growing urban population, particularly poor communities. Shortages of housing and transport systems, lack of access to clean water, and lack of sewage, sanitation and garbage services characterize life for millions of poor people in Asian cities. According to one estimate, seven million people live in slums in Manila alone, some four and a half million of them children.

The process of urbanization and the growth of "mega-cities" are generating both new opportunities and new challenges for governance. Beyond the movement of people from less to more dense clusters of habitation, urbanization in Asia entails social transformations that champion more democratic and transparent political systems and a higher standard of living. Public policy concerns span health, economic vitality, environmental sustainability, livable cities, and environmental justice (Douglass and Ooi, 2000).

In many countries in Asia, the decade of the 1990s saw an upsurge in the growth of civil society. Many undertook deliberate policies to enhance democracy. With the financial crisis of 1997, the influence of civil society actors grew dramatically. With the crisis came the weakening of repressive governments who derived popular legitimacy from high-speed economic growth. The most dramatic example is Indonesia where, after 32 years of rule, President Suharto was driven from office, leaving a more plural and open political landscape in his wake.

If industrialization and urbanization portend huge new pressures on the environment, a greater freedom of political expression may pull in the opposite direction. Everyone perceives themselves to be, and indeed is, a stakeholder in the 'state of the environment'. Most people are concerned not only for their own health and/or livelihood but for the health and happiness of their children. It is likely that citizen demands for better environmental protection will rise in tandem with demands—and opportunities—for political voice.

The critical and unknown variable in Asia's environmental future will be the kinds of governance mechanisms that are put in place over the next decade, especially in the urban-industrial centers. Governance mechanisms, which include a broad range of formal and informal ethics, practices, and rules, will determine whether environmental sustainability fundamentally influences economic development. Governance will determine whether and how scientific information and social preferences are actually incorporated into investment, technology, trade, social and a host of other development policies.

Asia's environmental future, however, will emerge not only in the context of urbanization, industrialization and democratization, but also of a fourth trend—globalization. Asian economies are increasingly structured around market forces and integrated with global markets, including trade and financial flows. Globalization can bring both benefits and costs in terms of environmental protection. To be effective, environmental governance will not only need to be cost-effective; it will need to regulate industrial growth in ways which enhance the benefits of foreign trade and capital flows.

Significant investment in good environmental governance is likely to be the most important and highest-return activity that governments and their development partners can undertake to enhance Asia's chances of a sustainable urban-industrial transition. At the heart of good governance is the engagement of the Asian public.

From Command-and-Control to Multiple Agents

In much of Asia, environmental and natural resources management has been principally the domain of the nation-state. Using a command-and-control model borrowed largely from the West, national governments have monopolized three dimensions of environmental governance:

- 1) the provision of public goods and environmental infrastructure, including energy, water, sanitation and sewage treatment, and environmental information;
- 2) the regulation of industrial and household air, water and marine pollution, typically via an end-of-pipe approach;
- 3) the ownership and management of natural resources, including forests and mines.

The state-centered environmental governance model has a poor performance record: the scope and scale of Asia's environmental problems are the worst of any region in the world (ADB, 1997). Some of the failures stem from poor policies, such as subsidies for irrigation and for forest exploitation. Others stem as much from omission as commission: states have neglected or seriously under-invested in major areas of environmental protection, like clean water and coastal zone management.

The model has also been challenged on grounds of equity and human rights. In some cases by default and in others by design, environmental and resource management in Asia has tended to favor short-term benefits for the elite at the expense of the welfare of marginalized groups and of the long-term sustainability of the economy as a whole. A "grow first, clean up later" development strategy has guided decisions about both the use of natural resources and urban and industrial pollution control (ADB, 1997). As a result, the costs of environmental clean-up will be much greater than if environmental objectives had been designed within economic development policies in the first place (Zarsky, 1994).

Progress in addressing many of the region's most pressing environmental challenges has been blocked by failures of governance. In the last decade, most Asian governments have developed an impressive array of environmental legislation and regulatory frameworks. However, enforcement is weak. Environmental agencies are marginalized with respect to ministries charged with promoting economic growth. Moreover, in many countries, weak civil societies and justice systems fail to provide alternative mechanisms to hold government and corporate actors accountable for their environmental performance. As a result, the pollution of air and water from household and industrial sources threatens the health and well-being of hundreds of millions of people in the region.

In addition to enforcement problems, environmental improvements in Asia are stalled by the continued monopoly of the state on the provision of public goods. In many cases, these monopolies have created expensive, inefficient, inadequate and inequitable environmental services, including clean water and sewage systems (Lohani, 1998).

Challenges to Command-and-Control

Asia's command-and-control model is being challenged by a combination of internal and external factors:

Liberalization and Globalization. The increasing role of market forces in most Asian countries has made national control more difficult and increased the relative cost of the inefficiency of the command-and-control model. Moreover, in the context of globalization,

unilateral state action in many policy areas is circumscribed both by global market forces and external norms, including environmental norms (Zarsky, 1998a).

Democratization. Many Asian countries have undertaken reforms which have increased political pluralism and nurtured the further blossoming of civil society groups. These groups are demanding a greater voice in norm-building and policy-making (Isberto, 1999). Consistent with recent history in Eastern Europe (Petkova, 2000), environmental issues have often been at the leading edge of demands for greater political voice in Asia.

New international governance norms. New norms concerning transparency, disclosure and stakeholder participation are emerging at the international level. Environmental groups have been especially active in promoting and utilizing them. Multilateral development banks, for example, require consultative environmental impact assessment procedures and information disclosure. In Europe, the innovative Aarhus Convention sets process standards for environmental policymaking in the areas of access to environmental information, public participation in environmental decision-making, and access to judicial remedy if denied information or participation (Petkova 2000).

Financial crisis. New challenges—and opportunities—have emerged in the aftermath of the financial crisis of 1997-1998. Revenues for public spending on the environment have shrunk, poverty has increased, and policymakers are preoccupied by the need for economic recovery (Zarsky and Tay, 2000). On the other hand, there is a new premium on efficiency and transparency in governance and a pause in economic growth is a good time to reconsider development paths (Dauvergne, 1999). . The crisis has also increased the potential leverage of the international community over environmental, as well as economic and social, governance in Asia (Seymour and Dubash, 2000).

A Multiple Agent Approach to Governance

The command-and-control model is being challenged not only in Asia, but in Western countries where it originated. In the United States, widespread dissatisfaction with the high cost and poor environmental performance of the model, combined with popular pressures for greater participation, are generating new approaches to environmental governance (Ruckelshaus, 1998).

A new paradigm is emerging based on the concept that the state is not the sole actor but one of three key agents in environmental governance. The other two are, broadly wrought, business and civil society. The strength of a more participatory approach is that it aims to achieve greater environmental protection at lower cost and more effective implementation (Aspen Institute, 2000). One of the ways it does so is by shifting the focus from “end-of-pipe” cleanup or ecological restoration to pollution prevention, energy and materials efficiency, and sustainable resource harvesting.

In this ‘multiple agent’ model, the state retains key responsibility for identifying and promoting the social good. Indeed, the government may even undertake command-

and-control regulatory activities (Afsah et al, 1996). The fundamental difference is that governments seek to actively, creatively and strategically engage business and civil society in defining and achieving the goals of good environmental governance.

Moreover, the multiple agent model suggests that civil society and business can be self-organizing. They can initiate and implement their own activities, perhaps calling on governments for assistance or policy response, instead of simply responding to government initiatives and regulation.

In this more participatory approach to governance, government still retains a centrally important role. Indeed, the bedrock of good governance in any model is capable, credible, fair, accountable and efficient government. If anything, the premium on efficiency, transparency and accountability is greater in a multiple agent than in a command-and-control approach.

A participatory approach, however, can help governments to significantly improve environmental performance. Acting unilaterally, governments face at least four constraints: 1) highly constrained fiscal resources for environmental infrastructure and public goods; 2) the lack of adequate capacity to monitor and enforce industry regulation; and 3) the competitive pressures of globalization, especially competition for exports and foreign direct investment. In addition, governments may lack the political will to make environmental protection a high priority.

A governance paradigm based on engaging business and civil society can help to overcome these obstacles. Public opinion and popular demand, for example, can help galvanize political will; local community groups can help to monitor and sanction industry pollution; and the private sector can invest in public goods and innovate in ways that enhance company productivity, competitiveness and environmental performance.

The collaborative approach to environmental governance is gaining credence in many quarters. "All stakeholders in society...must participate both in the design and the implementation of cleaner production processes," the OECD advised in a recent study (OECD, 1996). One of the advantages of a collaborative approach is that it allows for a much wider and deeper range of information and intellectual input to be part of the policymaking process. Intellectual competition, in turn, can help to develop more flexible, responsive and dynamic governance mechanisms. The ability to learn and change has a premium in the dynamic age of globalization.

III Roles for Civil Society in Environmental Governance

The effective engagement of civil society and business in good environmental governance is likely to hold the key to Asia's environmental future. Through a variety of community organizations and NGOs, civil society groups can potentially fulfill six broad functional roles in environmental governance.

1) *Intellectual and visionary*: Public policy think tanks, as well as academic and journalistic writers, seek to define development paradigms and objectives and to design and promote policy agendas. This independent source of creative intellectual input and visionary thinking provides an important channel for the development of proactive rather than reactive approaches to development challenges (Edwards and Hulme, 1992). Moreover, a wide range of civil society groups, including NGOs and community groups, are often the first to experience and thus to highlight the importance of an emerging social issue and act as 'agenda-setters'.

2) *Advocacy*: Many groups are constituted around specific issues of socio-environmental concern, such as gender equality in access to natural resources, labor rights and worker health and safety, the rights of indigenous peoples to natural resources, public health, consumer protection, etc; These groups, which have mushroomed dramatically in Asia in the last decade, help to bring issues to the public spotlight and to change social norms.

3) *Problem solving*: A variety of professional associations, as well as community and advocacy groups, provide technical support and work with governments and businesses to develop solutions to specific environmental and social problems. In Thailand, for example, an overseas association of Thai engineers helped the government write and implement its first environmental laws.

4) *Service provision*: Many non-governmental organizations (NGOs), including religious and social service groups, provide direct services to the poor and other needy groups. Such services go beyond distribution of food and other basic needs to encompass capacity-building 'empowerment' activities, including the creation of community-based municipal public goods such as clean water, sewer services, and garbage collection. In this capacity, NGOs often implement policies and programs designed and promoted by government. This is an important function especially where countries attempt decentralization in response to environmental issues. In such cases, there is often a lack of local authority and resources to deal with environment problems (Webster, 1995).

5) *Critics and watchdogs*: NGOs, journalists, and others can serve to monitor the activities of both government and industry. There is substantial evidence that community group pressure is an important determinant of firm-level environmental performance in Asia (New Ideas in Pollution Reduction, 1999).

6) *Financial support*: While it is still relatively young, philanthropy in Asia is Growing (Yamamoto, 1995). Philanthropic foundations and individuals provide resources for independent think tanks and other NGO activities, often stemming from their own visionary leanings and interest in solving problems. Philanthropic foundations also help to support the provision of public goods.

Many NGOs undertake multiple functions, while others have a strong identity as serving one particular function. Some are national or regional and may have links or indeed be chapters or representatives of Western-based, international environmental NGOs (e.g. WWF-Indonesia). Others remain mainly local movements (Kalland and Persoon, 1998). Moreover, a range of underlying values and philosophies guide environmental NGOs. In some cases, Asian perceptions of nature have a considerable influence on environmentalism (Bruun and Kalland, 1995).

Civil Society and the 'Informal Regulation' of Industry

A key difference between a command-and-control and a multiple-agent governance model is that the multiple-agent approach allows governments to think in terms of strategic behavior. Public policy tools need not be constrained to influence only one actor, such as pollution by business, or energy use in the household. Rather, governments can think in terms of how public policy can help civil society groups to monitor and prod business to improve environmental performance.

In many parts of Asia, NGOs and community organizations have been largely excluded from environmental governance and are pressing for new roles and partnerships with governments. Business groups, on the other hand, have tended to be deeply involved with governments, especially in the exploitation of natural resources and capture of industry subsidies. Their place in public policymaking and in the winning of infrastructure contracts, however, has tended to be based more on political association than economic efficiency.

The growing liberalization and globalization of Asian economies will increase the role of market forces and thus of business in societal governance—with both positive and negative environmental impacts. Greater foreign investment will enhance the dissemination of cleaner technology and modern business management practices. More people will also get access to cleaner and more efficient consumer goods. And a premium on efficiency may spur pollution-reducing innovation and reduce the role of cronyism in access to natural resources.

On the negative side, without adequate and enforceable environmental norms, market pressures are likely to greatly increase the scale of environmental degradation and resource depletion. One weakness of the command-and-control model in Asia has been precisely a widespread failure to enforce existing regulation, especially vis-à-vis business. Although many countries have developed frameworks for environmental regulation in the

Children, Health and the Environment: A Breaking Social Agenda?

By Sandy Buffett

Children have an increased vulnerability to environmental health risks. Worldwide, the single largest cause of death for children is acute respiratory infection. Children are at higher risk of respiratory disease than adults. Children's lungs are not yet mature and they have a higher metabolic rate than adults--children inhale twice as much air as adults for their body weight. Exposure to air pollutants, such as sulfur dioxide and particulates from burning coal, can severely damage children's lung tissue and lead to respiratory disease.

Children also spend more time outdoors and play near the ground, increasing their exposure to environmental toxins. Due to weak environmental regulations, children in developing countries often have a higher exposure to neurotoxins and persistent organic pollutants such as lead, mercury, and PCBs. Studies have linked lead exposure to reduced IQ in school-aged children.

Civil society groups in Asia, including NGOs and local communities, have become increasingly concerned about the vulnerability of children to environmental pollution. In Thailand's Mae Moh province, for example, an atmospheric inversion in 1992 trapped sulfur dioxide exhaust belching from 13 coal-fired power plants. Toxic gases accumulated and sent down an acidic rain into a rural farming valley. Nearly 4,000 villagers, mostly children as well as elderly people, were forced to seek medical help from breathing the poisoned air.

When it was revealed in 1995 that three new coal-fired power plants were being proposed by US, Japanese, and Thai developers in Prachuap Kirikhan province, local citizen groups and NGOs began to organize in opposition. One of the plants, a US \$800 million, 734 megawatt plant in the Tambon Bo Nok subdistrict, would be built without emissions-reducing smokestack scrubbers and would discharge hot water into the sea, killing fish and fragile coral reefs.

By December 1998, 10,000 villagers and fisherman protested the proposed plants, clashing with police and burning an effigy of the Thai Prime Minister. The protesters urged the local government to cancel the power projects due to air pollution and threat to the fishing and tourism industries. Thai environmental groups urged the government to consider cleaner, renewable energy technology.

Pollution prevention standards and policies calculated and promulgated for the protection of the "average adult male" may not be sufficient for protecting the health of children. With the increase in Asian "megacities" and an unabated reliance on fossil fuels, the health toll on children will continue to grow. Governments in Asia have not yet grappled with what new approaches to policy or infrastructure investment are needed to protect the environmental health of children. It is likely that NGOs will increasingly press them to do so.

Sources: Bello, Walden, Shea Cunningham and Li Kheng Poh. *A Siamese Tragedy*, 1998 Focus on the Global South; Moore, Curtis A. "New Showdown Over Coal," *International Wildlife*, May/June 2000.; Leighton, Michelle. "Children at Risk" Final Working Draft, Natural Heritage Institute; *World Resources 1998-99*, "Environmental Change and Human Health," World Resources Institute. Friends of the Earth letter to the US EXIM Bank, Jan. 20, 2000

last decade (e.g. air and water quality standards), pollution trends in the region have not altered significantly (ADB, 1997). Moreover, without explicit mechanisms of accountability and equity, the benefits of the more efficient use of resources made possible by markets will be captured primarily by elites.

Civil society groups can help to monitor the environmental performance of companies, especially in their own locales. Local groups are often most sensitive to water and air pollution, even if they lack the information to know precisely the source or risk of contaminants.

In addition to monitoring, local communities apparently are able to utilize a variety of methods to get companies to improve their performance, even in the absence of formal regulation. A number of World Bank studies have found that firms in the same sector and same country perform differently depending on the relative organizing abilities and socio-economic status of local communities. World Bank analysts have dubbed this process ‘informal regulation’ (New Ideas in Pollution Reduction, 1999).

The methods and channels by which local communities affect environmental outcomes in different countries have not been well-studied. Methods might include public or private meetings with local leaders and company managers, bad publicity to shame polluters, or joint problem-solving.

Broader changes in societal governance, especially those which enhance the relative political power of people who bear the costs of pollution, can also improve environmental quality. Some of the most efficacious changes are in enhancing literacy, political rights and civil liberties (Torras and Boyce, 1998).

New Roles for Government

Beyond ‘regulator’, a multiple-agent, collaborative approach to environmental governance requires new roles of government. First, the government must be an ‘enabler’, helping communities to enhance their role in monitoring and improving the environmental performance of industry. The primary mechanism is the ability of communities to have access to reliable, user-friendly information about industry environmental (and social) performance. This means that companies need to collect the information in a standardized fashion—standards set by the government—and most important, they need to disclose it. The heart of a community-based monitoring system is information disclosure.

A focus on increasing disclosure can work in tandem with voluntary business initiatives to improve environmental management systems, such as ISO 14,001. Firms can retain a significant amount of managerial flexibility in how they move towards better performance. But they will have more incentive to do so. On the other hand, it can also strengthen government regulatory capacities: communities will be able to press firms towards compliance. A disclosure-based approach can also strengthen market-based

approaches to governance such as product labeling. With credible information, consumers will be more likely to trust a 'green label'.

Second, the government must act as a 'convenor', generating formal and informal opportunities for a wide range of civil society groups to be involved in environmental governance. Governments need to create institutional interfaces which enable community and business groups to have ongoing conversations both with government and with each other to resolve differences and set performance goals. Stakeholder engagement, in short, is not just about partnerships on projects or service delivery but about ongoing, round table processes. The main challenge is to design participatory institutions which are efficient, effective and accountable.

The roles of government as organizer, coordinator, regulator, and arbiter are not obviated in this model. However, the government seeks to engage directly with each of the two other key agents bilaterally, as well as to strategically engage the community sector to monitor and regulate industry (and government as well). The central policy emphasis is on transparency, accountability and the creation of institutions which allow broad debate and consensus about the fundamental goals of development.

IV Civil Society as Collaborators: Design Options

A collaborative, multiple-agent approach to environmental governance can be structured and implemented in a number of ways. Indeed, the most successful overarching strategy would be to utilize a variety of designs, depending on the environmental and social objectives, financial constraints, and political context. The four designs broadly sketched here are suggestive rather than exhaustive.

Community Partnership: Catalyzing New Resources for Urban Management

In a *Community Partnership* framework, governments work with NGOs and business in the undertaking of specific projects and/or implementation of specific policies and programs. NGOs, for example, might work collaboratively with government or take charge of a host of urban improvement and management projects, including water and waste management, slum redesign and improvement, urban reforestation and creation of parks, etc. (Douglass and Ooi, 1999). NGOs are also particularly effective in environmental education and can spearhead efforts to tackle difficult and diffuse environmental problems, such as non-point sources of coastal and marine pollution (Zarsky and Hunter, 1999).

In a Community Partnership framework, the emphasis is on the service provision and problem solving roles of NGOs. The role of government vis-à-vis stakeholders is to mobilize, nurture and coordinate business and community efforts. Governments act as organizers and coordinators, bringing together various private interests to undertake socially beneficial projects such as the development of clean energy sources or power

plants (e.g. natural gas, clean coal, renewables). The government could also help to leverage private sector financing for infrastructure, especially more environmentally sustainable projects.

The Community Partnership approach has three benefits. First, by using volunteer community labor, governments can stretch scarce revenues. Second, by providing opportunities for people to improve their own communities, they can encourage a greater sense of civic engagement. There is substantial evidence that strong civic association is an important component of good governance, which in turn positively impacts economic growth. Third, the government's mobilization of business promotes projects which otherwise would have languished or which would have drained the public purse.

The government retains a central role as regulator and enforcer and continues to structure its relationships with business and community groups bilaterally (and typically top-down). In this sense, it could serve as a transition model from a more traditional command-and-control to a participatory, performance-based governance.

Community Partnership is likely to be especially effective in urban management. Top-down government attempts to provide infrastructure, regulate industry, and upgrade slums have met with limited success. It is widely acknowledged, for example, that the public sector has been a costly, inefficient and often inequitable provider of infrastructure. Despite heavy public subsidies, many utilities are insolvent and provide poor and partial coverage (Panayotou, 1997).

In the face of a large projected increase in urban industrial and population growth, more innovative, equitable and participatory approaches are likely to be both cheaper and more effective in serving community needs. Self-organized initiatives by local communities, as well as collaborations among civil society groups, business and governments, have met with some success in providing public goods for the poor.

In the slum of Orangi in Karachi, Pakistan, for example, community groups came together to build their own sewers. Contributing both money and labor, the community was able to build underground sewage pipes at a fifth of the cost of government-run projects. Over 12 years, they contributed \$2 million and installed sewers serving over 90,000 homes. The project was launched with a very small grant (Economist, 1998).

Municipal governments, as well as the private sector, can help NGOs and other community groups to play a much more significant role in environmental urban governance. Often, community groups can accomplish much with a small seed grant—but cannot get a loan. Governments and business, especially banks and financial institutions, can make small grants or loans. In addition, government can seek out the advice and participation of community leaders in policy decisions such as industry siting and regulation. Governments can also provide institutional mechanisms whereby a variety of stakeholders and groups can articulate needs, issues and concerns and devise partnership-based solutions.

NGOs Challenge Local Polluters: The Case of Indorayan

By Sandy Buffett

For two decades, PT Inti Indorayan Utama has operated a pulp mill and rayon fiber factory in Porsea, North Sumatra in Indonesia. The US\$600 million operation is located in the midst of a populated community near the scenic Lake Toba, Asia's largest lake and popular tourist attraction. Critics charge that, during President Suharto's regime, Indorayan's operations poisoned local groundwater and rice fields and increased the rate of deforestation. Some residents associate an increase in genetic illnesses in the surrounding communities with Indorayan's toxic discharges, such as sulfite and chlorine.

With new leadership and political transition in Indonesia, the voice of opposition within the local community and national civil society grew stronger. Mounting civil disturbances around the Indorayan mill led President Habibie to order suspension of the plant's operations in June 1998.

Indorayan's market capitalization (listed on the Jakarta stock exchange and in the United States through American depository receipts) subsequently slipped from \$1.4 billion to \$40 million and it was unable to make coupon payments to bondholders. In May 2000, foreign shareholders threatened to file suit for lost revenue from the "unlawful closure" against the government of Indonesia with the International Center for the Settlement of Foreign Investment Disputes in Washington, D.C.

The State Minister of Environment recommended that the plant be relocated or shut down permanently. However, the threat of litigation and lobbying from foreign investors persuaded the Indonesian government to allow temporary resumption of pulp production. President Wahid has since ordered a new environmental and socioeconomic audit of Indorayan before making a permanent decision about the plant's future. A previous internal audit of Indorayan in 1995 concluded that there "had been a lack of proper concern at the upper management level with environmental issues."

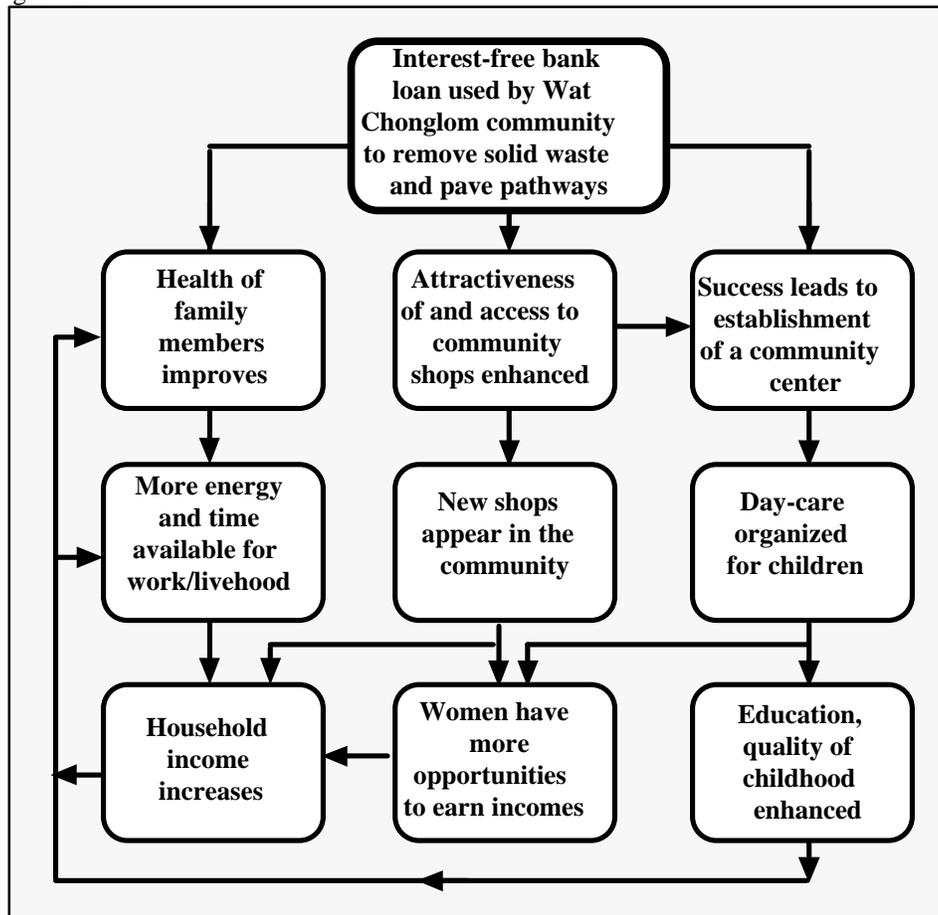
While Indorayan's foreign shareholders have since dropped the lawsuit against the government, some Indonesian NGOs are now planning to sue Indorayan, under Indonesian law, for environmental damage.

Source: "Government still see environment as minor issue," May 15, 2000, Jakarta Post. Borsuk, Richard. "Mill dispute shows fresh assertiveness in the provinces, July 6, 2000, The Wall Street Journal.

Community Partnership a Bangkok Community

There are more than 1,000 slums in Bangkok, characterized generally by lack of adequate services, severe environmental degradation and economic blight. One community, Wat Chonglom, undertook an innovative collaboration with the private sector which not only cleaned up the slum but spurred a synergistic process of local civic engagement and economic development.

In 1990, two professors from Mahidol University secured an agreement from Citibank to create a fund of \$50,000 for interest-free loans for community development. Unable to raise such funds on its own, the community was galvanized into undertaking its first project—cleaning up the large volume of waste that had collected underneath the community as a result of frequent flooding in the low-lying area. The success of this project enhanced community and triggered a series of others, including the completion of pipe water connections to all houses and the building of a community hall and day care center. With improved safety and ambiance, small shops started springing up, including beauty shops, video rental stores, and mini dry goods stores. Many were owned and run by women. ‘Reversing the conventional belief that income gains must come before environmental improvements,’ conclude Douglass et al (1999) in their case study, ‘the Wat Chonglom story shows how environmental improvements create economic growth’.



Source: Douglass et al 1999; Douglass and Zoghlin 1994.

Constructive Engagement: Reducing Industrial Pollution

In a Constructive Engagement framework, governments seek to enhance cooperation between industrial facilities, communities, workers and government regulators. The aim of the cooperation is to improve the environmental performance of a particular industrial facility. The specific target(s) might be to reduce water or air pollution, improve worker health and safety, change the location of the industrial site or expansion of its facilities, or other. If the framework is in place before an industrial facility is sited or begins activity, it can work not only to reduce but to prevent pollution.

In the United States, where the term was coined by the Environmental Protection Agency, Constructive Engagement has taken many forms, including citizen advisory groups, formal mediations between industry and community groups, “Good Neighbor Agreements”, and community-worker oversight committees. The aim is to improve communication among stakeholders and find creative solutions to concerns about facility activities.

One of the most elaborate efforts at constructive engagement was the US-EPA’s Common Sense Initiative, which included the Computers and Electronics Sector. As a result of the Initiative, the EPA produced a Resource Guide which concludes that Constructive Engagement has many strengths, including the ability to help overcome perceptions that the needs of one group can only be met at the expense of another. Moreover, the process encourages participants to take a long term view and to overcome stereotypes of each other. However, the EPA also cautioned that to be successful, Constructive Engagement activities require more than a willingness to work together. They also require “appropriate procedures, structures, and skills” and most importantly, “A clear vision of the purpose of the process, its potential benefits, and likely costs” (US-EPA, 1999, p. 79).

Constructive engagement-type processes are in evidence in Asia. In Indonesia, for example, a National Pollution Prevention Round Table (NPPR) functioned in the mid-1990s as an informal gathering of more than fifty institutions with various interests (Sari, 1999).

Also in Indonesia, the Batam Industrial Environmental Improvement Council was established by the Batam Industrial Development Authority as a semi-formal round table. Composed primarily of business and government, the Council functions to help industry learn about environmental regulation, discuss environmental problems, and consider and how the industrial community can mitigate them. It also attempts to function as a mediator for environmental conflicts. Its effectiveness in this role, however, is limited by the lack of direct representation of wider community and worker interests (Sari, 1999).

Stakeholder Consultation: Policy Development

A more encompassing variant of the multiple agent approach is *Stakeholder Consultation*. Beyond partnerships on specific projects and/or programs, or particular industrial sites, government can provide avenues for civil society input on policy design and broader development strategy. Existing models might be the various national Councils on Sustainable Development, including in the Philippines, and the Canadian Round Table on the Environment and the Economy.

Effectively facilitating a wide range of input into policy design is no easy matter. Institutional design is crucial, both to garner the largest possible representation of stakeholder voices and to gain “buy in” by the relevant parties. In the Philippines, an innovative formula distinguishes between “people’s organizations” and “non-governmental organizations” in allocating seats on the PCSD.

One important design issue is whether such ‘round tables’ for policy development are vested with decision making authority or are consultative. In most cases, they have been constituted as consultative bodies. With good representation and facilitation, however, they can be a fertile ground for clarifying points of conflict and consensus between different social interests, and for generating innovative policy proposals.

Additionally, they could be standing institutions or convened around specific issues, especially those which involve significant social conflict. They could be constituted in one place or be rotational. The main point is that institutional design is of fundamental importance. Poorly designed, such efforts are likely to inspire cynicism

IV Globalization, Civil Society and Environmental Norms

Environmental norms in Asia are evolving in an increasingly global context. International NGOs such as the World Wildlife Fund, Conservation International, Rain Forest Action, Friends of the Earth and Greenpeace, have greatly increased their advocacy and ‘on-the-ground’ project work in Asia. On the other hand, Asian-based environment, development and human rights groups, such as Pesticide Action Network, founded in Malaysia, the Center for Science and Environment in Delhi, and many others, are turning outwards and increasing their global networking and advocacy work.

As a result, Asian and Western NGO perspectives on environmental norms—if not yet the norms themselves—are broadly converging. While there remain significant North-South differences on important aspects of environmental governance, most notably the inclusion of environmental provisions in trade and investment agreements, there is a growing consensus that environmental and health objectives must be built into the development process, rather than subordinated to the relentless demands of a ‘development first’ paradigm.

The targets of international NGO environmental advocacy in Asia include not only governments but also the private sector. These campaigns tend to embrace concerns about the impacts of industry practices on both the environment and people, including human rights and health. Often working in partnership with Asian NGOs, global NGO campaigns seek to expose environmental negligence, especially by multinational corporations, and/or to encourage better performance.

Some of the highest profile global NGO industry campaigns have targeted transnational energy, mineral, and chemical corporations. Union Carbide was sued and widely condemned after an old and dilapidated pesticide-manufacturing plant in Bhopal exploded and leaked toxic methyl isocyanate into the surrounding community. With estimates of mortality ranging from 3800 to 16,000 and morbidity from 350,000 to a million, Bhopal has been dubbed “the world’s worst industrial accident” (The Lancet, December 2, 2000).

More recently, the US company Unocal has been widely criticized for alleged human rights and environmental abuses in the building of a natural gas pipeline in Myanmar. The company was sued in a US court for complicity with the government of Myanmar in the use of slave labor.² Other US companies have withdrawn from Myanmar.

In another strategy to improve the social and environmental performance of industry, international and Asian NGOs are pressing financial institutions to incorporate ‘environmental due diligence’ in their lending practices. Some NGOs work in partnership with financial institutions such as the World Bank, the International Finance Corporation, and the Asian Development Bank to promote ‘environmental and social screens’ for all project and program loans. An international coalition of NGOs is also working to lodge a common framework of environmental and social guidelines in export finance agencies, including in Japan and Australia.

Other NGOs have used shareholder resolutions and other strategies to encourage private financial institutions to screen companies for social and environmental commitments. The campaign targeting Morgan Stanley Dean Whitter because of its underwriting of the Three Gorges Dam Project in China is one of the highest-profile examples (see box).

² In October, 2000, the court found that Unocal was aware that forced labor was being used by government forces protecting the pipeline project. However, the court dismissed the case on the grounds that the plaintiffs failed to prove that Unocal conspired with the Myanmar government or its military regime (Alexander’s Gas and Oil Connections).

Typically targeting US and European multinational corporations and financial institutions, these NGO advocacy campaigns are helping to prod business to adopt a new management framework based on ‘corporate social responsibility’ (CSR). The CSR framework stresses the redefinition of a company’s mission to embrace social objectives as well as adding value for shareholders and owners. Such a mission directs managers to maximize a ‘triple bottom line’—financial, environmental, and social. The embrace of CSR requires companies to adopt internal management systems to track, monitor and report on the company’s environmental and social impacts. The goal is to continuously improve performance.

A key feature of the CSR approach to management is ‘community engagement’. Rather than viewing the company as a closed system, accountable only to shareholders/owners or to internal actors such as the CEO and/or the board, CSR sees the company as accountable to a wide variety of stakeholders and more broadly, to the ‘public good’. This wide circle includes *inter alia* investors, workers, local communities, suppliers, and NGOs. Through processes of engagement with these stakeholders, the company identifies areas of its own social and environmental responsibility. Community engagement also encourages companies to solve problems in partnership with a variety of stakeholders.

Two key features of the CSR model are performance benchmarks and information disclosure. Benchmarks entail both quantitative and qualitative goals or standards which a company sets for itself to improve its environmental performance. Examples include targeted reductions in air and water emissions, increases in energy efficiency, and reduced material inputs for the same value added. For many small and medium size companies in Asia, benchmarks might aim for compliance with local environmental regulations. For larger companies, including multinational corporations, benchmarks usually extend beyond compliance and aim for best practice.

Information is the key to CSR. The first step is for companies to conduct internal environmental and social audits to determine impacts. Based on the audits, companies can develop indicators and design monitoring systems. Good monitoring systems provide the basis for the disclosure of information to managers within the company, as well as to regulators and to the public. Information disclosure facilitates community engagement, allowing consumers and investors to choose better performing companies. It also allows NGOs and communities to monitor and work with the company to improve performance further.

While still largely nascent, the CSR model is emerging in Asia under a variety of names, including Responsible Entrepreneurship, Green Industry and Social Markets. Driven by Asian NGOs, as well as ‘socially responsible investment’ firms, global and local consumers, and Western multinationals, the model offers the hope that business in Asia will increasingly become a partner in good environmental governance.

Three Gorges Dam: From Beijing to Wall Street

Sandy Buffett

The Three Gorges Dam project on the Yangtze river has been intensely scrutinized and criticized in China and beyond. If completed as planned, it would be the largest infrastructure project in the world, with a 400-mile reservoir flooding agricultural land and cultural antiquities and requiring the forced resettlement of up to 1.9 million people. The Dam also poses significant technical and financial risks. In March, 2000, fifty-three Chinese senior engineers and academics appealed to China's leaders to reconsider the project in light of project-related corruption, resettlement impacts, engineering problems, and China's current power surplus.

Despite intense lobbying by the Chinese government, traditional development finance agencies, such as the World Bank, the US Export-Import Bank, and the Asian Development Bank, have either withdrawn or refused to finance the project due to social and environmental concerns. With a \$26 billion pricetag (some experts estimate the cost is close to \$75 billion), China has turned to international private capital markets. In 1997 and again in 1999, US and European investment banks, including Citigroup, Merrill Lynch, and Morgan Stanley Dean Witter, underwrote bonds for the China Development Bank (CDB), the main financing arm of the Three Gorges Project. The 1999 issue sold \$500 million in CDB bonds to global money managers.

In 1997, an international coalition of forty-six environmental and human rights activists wrote to various banks calling for a halt to the underwriting of CDB bonds for Three Gorges. When these letters went unanswered, NGOs partnered with US socially-responsible investment (SRI) firms, which hold stock-shares in the investment banks. The SRI firms filed shareholder resolutions with the US Securities and Exchange Commission and presented their demands to stop the funding of Three Gorges at company shareholder meetings. While they garnered only 6% of the vote, the negative publicity surrounding the shareholder action and the threat of broader consumer boycotts moved some of the companies to enter into a stakeholder dialogue.

This coordinated NGO campaign has led to an unprecedented, first-step dialogue between leading private sector, international investment banks and US NGOs on the financing of environmentally-sensitive projects in developing countries. These NGOs are calling on banks first, to commit to a public policy of not participating in financing for Three Gorges Dam and second, to disclose how environmental and social risks are incorporated into the due diligence process. They suggest that private financial institutions should look to existing environmental and social guidelines, such as the World Bank's Pollution Prevention and Abatement Handbook (PPAH) and the US Overseas Private Investment Corporation's (OPIC) Categorical Prohibitions list.

Given the increasing role that private banks are playing in development finance, it is in the best interest of these banks and their shareholders to develop comprehensive environmental guidelines to avoid financing environmental and human rights disasters in the future.

Source: To learn more about the NGO consortium campaigning on Three Gorges or to view source materials for this article, see www.floodwallstreet.org

V Investing in Collaborative Environmental Governance

A more collaborative, ‘multiple-agent’ approach to environmental governance could offer significant benefits to Asian governments and to society as a whole. It could provide a way to enforce existing environmental regulations and garner the political will to raise standards.

In this new paradigm, governments must play new roles. National and local governments must be “enablers” and “convenors”, strategically interacting with civil society, as well as business, in the pursuit of environmental goals. All three sectors will need much more information about the state of the environment and how and why it is changing—and governments will have to spearhead the efforts to collect, standardize, and make available the information. It will also largely be up to government to create effective mechanisms for stakeholder engagement, whether through project-based Community Partnerships or through ongoing institutions for dialogue. Finally, national governments must take new roles in monitoring and understanding regional environmental issues, and in cooperating to govern them.

Moving towards a new paradigm of environmental governance will require investment. A major investment of both time and money will be needed in three areas: 1) public education; 2) environmental information; and 3) the design and implementation of new stakeholder-based institutions for environmental governance. Some of the investment can come from civil society and the private sector. Indeed, one of the benefits of the new paradigm is that it can much more successfully mobilize community and business resources for environmental aims. Nonetheless, governments will themselves need to give a much higher priority to promoting good governance.

Two final points are important to emphasize. First, the government’s regulatory role is not obviated in this paradigm but the content of regulation may change. For example, the government is likely to require more disclosure of environmental performance information by the private sector. The public policy correlates are likely to be different in different countries and perhaps even locales. Much more thought and research is needed to map out policy frameworks.

Second, one of the benefits of the new paradigm is that it will enhance the role of informed consent in governance generally. Given a choice, citizens may make a different trade-off between environmental quality and economic or social benefits than that imposed on them in a command-and-control model. Regardless of environmental outcome, collaborative governance offers the social benefits of informed choice.

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