

BANKRUPTING THE PACIFIC

**HOW MULTILATERAL DEVELOPMENT BANKS ARE
CONTRIBUTING TO OVERFISHING AND HELPING
PUSH SEA TURTLES AND SEABIRDS TO THE
BRINK OF EXTINCTION IN THE PACIFIC**

Robert Ovetz, PhD and Sarah Jennings

September 12, 2005



SEA TURTLE RESTORATION PROJECT

POB 400/40 Montezuma Avenue • Forest Knolls, CA 94933 USA
Ph. +1 415 488 0370 ext. 106 • Fax +1 415 488 0372
robert@seaturtles.org • www.seaturtles.org

NGO in Special Consultative Status with the Economic and Social Council of the United Nations

Executive Summary

This report examines four projects funded by the Asian Development Bank and the International Finance Corporation (a partner organization to the World Bank) to highlight how recent investments in longline fishing in the Pacific Ocean for billfish, shark and tuna are coinciding with the overfishing of these fish species and the threat of extinction to species of sea turtles and seabirds. Despite these banks' environmental and fisheries policies, no adequate assessment of the impact of longline fishing on the marine environment was conducted for the four projects examined in this report. As a result, these investments are having a devastating impact on marine biodiversity, target fish stocks and are undermining goals of reducing poverty and unemployment. In the cases in which an environmental assessment was carried out, the assessment was performed by the borrower, did not follow best available practices, was riddled by conflicts of interest, and did not use the best available science to assess the status of target fish stocks or impact on potential bycatch species such as critically endangered seabirds, sea turtles and sharks. In light of these catastrophic investments in just one regional fishery, this report identifies recommendations for reforming the MDB fisheries investment policies and canceling existing and future funding of longline fishing projects.

About the Authors

Robert Ovetz, PhD is the Save the Leatherback Campaign Coordinator and Sarah Jennings is a former Save the Leatherback Campaign Assistant with the US based Sea Turtle Restoration Project.

Over the past few decades, a fundamental shift in policies relating to investments in fisheries in developing countries has taken place. Lenders have shifted from promoting small-scale fisheries for the purposes of local employment and food security to expanding the export capacity of fisheries to generate foreign exchange revenue by investing in environmentally destructive aquaculture, larger vessels, increased capacity and encouraging foreign access to fisheries.¹ As a consequence, this shift in development is having a growing devastating impact on marine biodiversity. Recent investments in high seas longline fishing for billfish, shark and tuna by Multilateral Development Banks (MDBs) are coinciding with the rapid collapse in the population of sea turtles, seabirds, sharks and even the fish targeted by the longline vessels financed by loans from these banking institutions contrary to their own established environmental codes, regulations and standards.

This brief report examines four investments in longline fishing in the Pacific made by the Asian Development Bank and the International Finance Corporation (a partner organization to the World Bank). While finances of the four projects examined in this report are a relatively small part of the bank's total portfolios, they have leveraged a far greater destructive impact on marine biodiversity and are representative of a policy framework that needs to be reformed in order to protect the ocean from further damage caused by destructive fishing technologies.

Recent investments in high seas longline fishing for billfish, shark and tuna by Multilateral Development Banks are coinciding with the rapid collapse in the population of sea turtles, seabirds, sharks and even the fish targeted by the longline vessels financed by loans from these banking institutions contrary to their own established environmental codes, regulations and standards.

¹ *ADB Fisheries: Our Framework Policies and Strategies*, Asian Development Bank, August 2004, p. 21. According to the World Bank, the "growth in fisheries employment has been mainly in small-scale fisheries in the developing world" growing ten times faster than employment in agriculture since 1950. (World Bank, *Turning the Tide, Saving Fish and Fishers: Building Sustainable and Equitable Fisheries and Governance*, DC: World Bank, 2005, p. 5.)

Longline Fishing and the Crisis in the Pacific

The impact of longline fishing in the Pacific Ocean is devastating. Longlines, a type of fishing technology in which a monofilament line stretching as far as 60 miles with thousands of baited hooks, is a non-selective fishing technique that catches large numbers of non-target bycatch species. Animals caught on the hook or tangled in the line will float near or below the surface for hours and frequently drown before the line is reeled in, are injured and frequently die later of their wounds, or survive only to be caught again.

Two Pacific sea turtle populations, the leatherback and loggerhead, are on the brink of extinction with longlining being a major contributing factor. Since 1980, for example, the number of female nesting leatherback sea turtles have collapsed by about 95 percent. Scientists warn that unless the threat of longlines is reversed, the leatherback could go extinct in the Pacific in the next 5-30 years.² The loggerhead is also similarly under threat of extinction. Both species are considered critically endangered by the IUCN.³ Longlining is also considered the main threat to the survival of 23 species of threatened seabirds, in particular the critically endangered black-footed albatross.⁴ Based on data by the US fisheries agency NOAA Fisheries, an estimated 4.4 million sharks, billfish, sea turtles, seabirds and marine mammals are injured or killed by longlining each year in the Pacific alone.⁵

Target species are also being overfished. Recent scientific reports have documented a decline of between 88.5-99% in large pelagic predatory fish such as billfish, sharks, swordfish and tunas in the Atlantic, Gulf of Mexico and the Pacific since the 1950s as a direct consequence of longline fishing.⁶

² Spotila, J., et al., "Pacific leatherback turtles face extinction," *Nature*, vol. 405, June 1, 2000, pp. 529-530.

³ See www.redlist.org.

⁴ American Bird Conservancy, *Sudden Death on the High Seas: Longline Fishing: A Global Catastrophe for Seabirds*, 2002, p. 2; and Lewison, R. and L. Crowder, "Estimating fishery bycatch and effects on a vulnerable seabird population," *Ecological Applications*, 13 (3), 2003, pp. 743-753.

⁵ See Ovetz, R., *Striplining the Pacific: The Case for a United Nations Moratorium on High Seas Longline Fishing*, STRP: Forest Knolls, p. 45.

⁶ Ward, P. and R. Myers, "Shifts in open-ocean fish communities coinciding with the commencement of commercial fishing," *Ecology*, vol. 86, no. 4, 2005, pp. 835-847; Baum, J. and R. Myers, "Shifting baselines and the decline of pelagic sharks in the Gulf of Mexico," *Ecology Letters*, 2004, vol. 7, p. 135-145; and Myers, R. and B. Worm, "Extinction, survival or recovery of large predatory fishes," *Proceedings of the Royal Society B*, in pre-press, 2004, p. 3; and Myers, R. and B. Worm, "Rapid worldwide depletion of predatory fish communities," *Nature*, vol. 423, pp. 280-283.

In the Pacific, fishing nations and regional fisheries management organizations which regulate the fishery have slowly begun to address the mounting evidence that longlines have been directly responsible for overfishing. In 2004, the US, Japan, Korea, China and Taiwan agreed to quotas at the Inter-American Tropical Tuna Commission that would keep their longline catch at 2001 levels to address the overfishing of bigeye tuna. Once the quotas are reached, these countries agreed to shut down their fishery for the rest of the year.⁷

The large numbers of billfish injured or killed by longline fishing has also had a tremendous impact on the recreational sport fishing industry. Recreational fishing is far more valuable than the Pacific tuna industry, the largest source of tuna in the world, and contributes to tourism revenues in many of the coastal and island nations where longline fishing is occurring thereby damaging a significant source of development, income and employment. By comparison, the global longline fishery is estimated to be valued at \$4-\$5 billion in dockside value while saltwater recreational fishing generates \$30.5 billion in the U.S. alone.⁸

Many of the countries that rely on fishing in Asia and the Pacific are very small and do not have the capacity, or the assets, to set up their own large-scale fisheries. In order to generate revenues from their fisheries, many of them have leased access to their 200 mile Exclusive Economic Zones to foreign vessels since the late 1980s. Today, most fishing for swordfish and tuna takes place by foreign large-scale vessels and is destined for export. As a result, 95% of the profits go to distant water fishing nations.⁹

The ADB and IFC have chosen to address this imbalance in the distribution of revenues from longline fisheries by financing excess capacity in a fishery already faced with overcapacity, overfishing and a bycatch crisis.

⁷ Inter-American Tropical Tuna Commission, 72nd Meeting, Lima, Peru. 14-18 June 2004, Resolution C-04-09, *Resolution for a Multi-Annual Program on the Conservation of Tuna in the Eastern Pacific Ocean for 2004, 2005 and 2006*, found at: <http://www.iattc.org/ResolutionsActiveENG.htm>.

⁸ See Steinbeck, S., Gentner, B., and J. Castle, *Economic Importance of Marine Angler Expenditures in the United States*, NOAA Professional Paper NMFS, No.2, 2004. The American Sportfishing Association estimated that it generates \$8.1 billion and 300,000 jobs in their report *Sportfishing in America: Values of our Traditional Pastime*, 2001, found at: http://www.asafishing.org/asa/statistics/economic_impact/economic_impact_table.html.

⁹ *ADB Fisheries: Our Framework Policies and Strategies*, Asian Development Bank, August 2004, p. 9.

The UN Food and Agriculture Organization's International Plan of Action for the Management of Fishing Capacity calls for a reduction in capacity of 20-30 percent in the large-scale longline tuna fleet.¹⁰ Unfortunately, the ADB and IFC have chosen to address this imbalance in the distribution of revenues from longline fisheries by financing excess capacity in a fishery already faced with overcapacity, overfishing and a bycatch crisis.

MDB Longline Investments: Bankrupting the Pacific

Multilateral Development Banks finance numerous development projects in poor and developing countries to promote economic development and employment and reduce poverty. On the surface, investments made by MDBs appear helpful, generous, even lifesaving, but in the long term they have adverse effects on the environment and the social climate of the country they are supposedly trying to help.

In response to rising criticism that such investment projects do not take these environmental and social impacts into account, the Asian Development Bank, the World Bank, the International Finance Corporation and the Inter-American Development Bank have each designed a set of guidelines governing their responsibility for assessing the environmental and social impact before they enter into a project. Unfortunately, due to their lack of transparency, too little information about investments by the World Bank and the Inter-American Development in longline fishing were available to the public to thoroughly examine their participation in the industry.

Despite both bank's having an environmental review policy (the ADB also has a fisheries policy), they have never adequately assessed the devastating impact of longline fishing on the marine environment before proceeding with a project.

The Asian Development Bank and the International Finance Corporation have invested \$12.85 million in Pacific high seas longline fishing since 1996. Despite both bank's having an environmental review policy (the ADB also has a fisheries policy), they have never adequately assessed the devastating impact of longline fishing on the marine environment before proceeding with a project. This report presents cases studies of four longline fishing projects the ADB and IFC have financed in the Pacific and shows how

¹⁰ UN FAO, International Plan of Action for the Management of Fishing Capacity, Section IV(40), footnote 9, November 2000, found at: http://www.fao.org/docrep/006/x3170e/x3170e04.htm#P631_51212b.

they have violated their own environmental and fisheries policies thereby contributing to the overfishing of large pelagic fish and the threat of extinction of sea turtles and seabirds.

A Case Study of the International Finance Corporation's Investments in Longline Fishing and its Environmental Policy

The International Finance Corporation is a member of the World Bank group. It is not like other MBDs because it provides loans and assistance to specific businesses, not governments. The IFC has projects that are funding longline fisheries in two different countries: Fiji and Papua New Guinea.

In Fiji, the IFC has given a loan of US\$350,000 for the purchase of 1 longline vessel by Solander Pacific Limited. This vessel will be used to fish for skipjack, albacore, yellowfin, and bigeye tuna. This project was categorized as a Category B environmental project. According to the IFC, "a proposed project is classified as category B if its potential adverse environmental impacts on human populations or environmentally important areas—including wetlands, forests, grasslands, and other natural habitats—are less adverse than those of category A. These impacts are site specific; few if any of them are irreversible."¹¹

However, a careful examination of the IFC's standards for classifying a project demonstrates that this project should have been classified under the more stringent conditions of category A which states that "a proposed project is classified as Category A if it is likely to have significant adverse environmental impacts that are sensitive, diverse and unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works."¹² The key to a Category A classification is the word "sensitive" which the IFC policy defines as the following: "a potential impact is considered 'sensitive' if it may be irreversible (e.g., lead to loss of a major natural

¹¹ IFC, International Finance Corporation, Operational Policies, Environmental Assessment," OP 4.01, October 1998, p. 3.

¹² Ibid., p. 2-3.

habitat)".¹³ When one also considers the IFC's definition of a "critical natural habitat" as "sites that are critical for rare, vulnerable migratory, or endangered species" it becomes clear that the adverse impact of longline fishing on critically endangered sea turtles and seabirds would require a Category A classification not a Category B.¹⁴

The Environmental Review Summary (ERS) reveals even more about the IFC's failure to use the best available science to assess the impact on target tuna stocks and failure to consider the impact of longline fishing on the marine ecosystem.¹⁵ In contradiction to ongoing stock assessments by the IATTC which now has quotas and closures in place in the Eastern Tropical Pacific for bigeye tuna, the ERS considered albacore and bigeye tuna to be exploited at "low" or "moderate" rates and that albacore was even "underexploited." Distinguishing between local and regional stocks the ERS recommended doubling the total allowable catch. Although the ERS "anticipated that the proposed project will be sustainable," albacore and bigeye tuna are now considered overfish in the region.

As an example of its inadequacy of the ERS, the ERS suggests that longline fishing is considered safe because it is "dolphin friendly" yet fails to mention the estimated 4.4 million marine animals that are annually injured or killed by longlines.¹⁶ Contrary to the ERS, longline fishing is hardly "dolphin friendly" since according to data from NOAA Fisheries, between 1991-2000 an estimated 7,166 dolphins and 6,200 unidentified cetaceans are caught each year by pelagic longliners in the entire Pacific.¹⁷

Most at threat from longlines in Fijian waters are five species of sea turtles which inhabit its waters, two of which are known to nest on its beaches. Its waters are a critical

¹³ Ibid., p. 3.

¹⁴ IFC, International Finance Corporation, Operational Policies, Annex A—Definitions, OP 4.04, Annex A, November 1998, p. 1.

¹⁵ IFC, Environmental Review Summary, PIIF Solander Pacific Limited, project no. 7700, August 15, 1996.

¹⁶ Ibid.

¹⁷ See K. Forney, "Estimates of cetacean mortality and injury in the Hawai'i-based longline fishery, 1994-2002," draft, Southwest Fisheries Science Center, November 4, 2002, last revised November 4, 2003, pp. 11-12; in Ovetz, R., *Striplining the Pacific: The Case for a United Nations Moratorium on High Seas Longline Fishing*, STRP: Forest Knolls, p. 45.

feeding habitat for green, leatherback and loggerhead sea turtles which nest in five neighboring countries throughout the region.¹⁸

While this project highlights a new licensing requirement in Fiji, the fishery itself does little else.¹⁹ It fails to follow best practices for minimizing its impact on the marine environment such as training fishers to avoid or return bycatch to the oceans alive, engaging in any existing bycatch mitigation techniques, having on-board observers or event documenting catches.

The second longline project funded by the IFC in the Pacific is an investment of US\$300,000 in Masurina Limited, in Papua New Guinea. This project will include the purchasing and outfitting of two longline fishing vessels that will be used to catch prawns, tuna and other fish. This project is very similar to the project set up in Fiji since it focuses on the catch of overfished bigeye tuna. Although a press release notifying the public about this project was released on January 7, 2005 no other documents including an ERS were made available to the public as of August 2005. Considering that the project identifies overfished bigeye tuna as a primary target species and that Papua New Guinea is home to the largest remaining population of nesting female leatherback sea turtles, which have collapsed on nearby islands, this project should receive a Category A classification. However, considering the environmental policy of the IFC this is unlikely to happen.

A Case Study of the Asian Development Bank's Investments in Longline Fishing and its Environmental and Fisheries Policies

The Asian Development Bank (ADB) works in the Asia Pacific region in an attempt to reduce poverty. The ADB provides loans and investments to its member countries and also provides assistance in planning policies and projects. ADB has many fisheries development projects, having invested \$1.1 billion in fisheries between 1969-1996.²⁰

¹⁸ World Wildlife Fund, "The Fiji Islands Marine Ecoregion," at: http://www.wwfpacific.org.fj/pacific_ecoregions_fime_index.htm.

¹⁹ Ibid.

²⁰ *ADB Fisheries: Our Framework Policies and Strategies*, Asian Development Bank, August 2004, p. 1.

Bank investments range from the purchasing or outfitting of longline vessels to strengthening fisheries' policies and management.

That the Asian Development Bank is actively investing in longline fishing runs against the bank's own analysis of the of the Asian fisheries crisis, which it sees as being caused by too many vessels chasing too few fish, and its own environmental project review policy which is intended to avoid investments in projects that have negative consequences for the environment. While the bank's environmental strategy, specifically as it relates to fisheries, is forward thinking and driven by the precautionary principle, our examination of the two longline projects in which the ADB invested demonstrates that the strategy is not being followed and that the policy to implement them are inherently flawed.

Our examination of the two longline projects in which the ADB invested demonstrates that the strategy is not being followed and that the policy to implement them are inherently flawed.

The Investments

One country where the ADB works on fisheries is Papua New Guinea where it has two recent projects. The first is Fisheries Development Project that consists of a loan of US\$6.5 million for a \$9.3 million project to improve domestic participation in longline tuna fishing.²¹ This project does not involve the purchasing of longline vessels but intends to "increase domestic participation in pelagic tuna fishing" through funds for a new longline wharf and institutional capacity building needed to encourage more longline fishing in the area. Unfortunately, very little information is available about this project. What is known is that no documented public consultation with the local community or NGOs was conducted. The only public participant in the project planning was the Fishing Industry Association which "expressed interest in obtaining licenses for tuna longline operations" and were appointed to the Steering Committee which oversaw the project, a glaring conflict of interest.²²

Curiously, ADB also categorized this project as environmental Category B, which means "they could have some adverse environmental impacts."²³ Most Category B

²¹ ADB, Fisheries Development Project, 11 December 1998, PNG 31650-01.

²² Ibid.

²³ *Operations Manual Bank Policies (BP), Operations Procedures, Environmental Considerations in ADB Operations*, OM Section F1/OP, Issued on 29 October 2003, p. 3.

projects require an Initial Environmental Examination (IEE) which is used to assess the impact of the project and the areas affected by it. The document is made available in summary format for 120 days before the loan is considered. Once the loan is approved, to view the document or see the complete report one must request copies from the ADB. Unfortunately, the ADB does not require that an IEE has to be prepared for program loans and as a result, this project was not required to have an IEE conducted and was never assessed for its environmental impact.

The other ADB longline project is a loan of US\$5.7 million for a \$9.3 million project with the stated purpose of alleviating poverty by strengthening institutional, providing infrastructure and improving the efficiency and effectiveness of small-scale fishing operations.²⁴ However, despite the catchy rhetoric, the project essentially boiled down to building a new dock that includes facilities for two industrial longline vessels funded by the \$300,000 IFC grant to Masurina in 2005 located in Milne Bay examined above.

While the ADB also classified this project as a Category B project it did not require an Initial Environmental Examination (IEE). Unfortunately, as a result, this project was also never assessed for its environmental impact.

This may prove to be a tragic mistake for the critically endangered leatherback sea turtle and black-footed albatross. These two ADB investments coincided with and may have contributed to a rapid expansion of the longline fleet in Papua New Guinea which has the only remaining large population of the critically endangered leatherback sea turtle remaining in the Pacific. Leatherbacks, once known to nest in Milne Bay Province at Misima, have not been seen for about 10 years.

Despite assurances in the loan document that the project "will have significant positive environmental impacts" and "will lead to increased awareness and positive attitudes to conservation and management" there is no definition of what this means or a plan to achieve them. This may be that such "positive attitudes to conservation" are hollow sounding phrases that have nothing to do with building the capacity to implement actual conservation practices. This becomes clear when one examines the long list of "objectives and scope" of the project which fails to include even one objective of

²⁴ ADB, Coastal Fisheries and Management and Development, 24 October 2002, PNG 32189-01.

sustainable fisheries or conservation. In fact, the project does not to address the underlying causes of the overexploitation of "high value resources" such as sea-cucumber and shells about which the project warns.²⁵ Finally, although the project obtained the services of a US based consultant, it failed to consult with any conservation groups or NGOs.

Without any further environmental assessments, it is impossible to justify classification of either of these two projects as Category A. There is no evidence available that these projects engaged in following best practices or utilized the best available science in their assessments.

While the projects pay tribute to critical environmental concerns, there is no evidence that this tribute went beyond paper. These projects lack the very elements of good governance—independent oversight, best practices, best scientific knowledge, and checks and balances—that the project

Without any further environmental assessments, it is impossible to justify classification of either of these two projects as Category A. There is no evidence available that these projects engaged in following best practices or utilized the best available science in their assessments.

administrators claimed is an objective of the projects. Unfortunately, a close examination of ADB's current fisheries and environmental policies does not promise any improvements.

Fisheries Strategy

In 2004, the ADB specifically investigated the state of global fisheries and elaborated its policies on fisheries investments. While the analysis identifies many of the main threats to fisheries in poor countries it identifies none of the best practices that can prevent or repair the damage caused by the very same policies the ADB continues to promote.

When it comes to ADB fisheries policy, it appears as if the old adage "one hand doesn't know what the other is doing" applies quite succinctly. According to the report *ADB Fisheries: Our Framework Policies and Strategies*,

In most DMCs, [developing member country] as in the rest of the world, current fisheries production can be achieved by fewer boats and fishers. The fishing fleet

²⁵ Ibid.

has twice the capacity needed to extract what the oceans can sustainably produce. The result is a vicious cycle: as catches per vessel fall, profits plummet, and fishers overfish to maintain supplies, causing serious depletion of stocks and endangering long-term availability. With falling returns, the asset value of vessels goes down, compelling owners to continue fishing at uneconomic rates of return, incurring losses and damaging the resource base.²⁶

Nowhere in the report is there an acknowledgement that ADB loans to expand capacity perpetuate this same process of fisheries collapse.

Interestingly, *ADB Fisheries: Our Framework Policies and Strategies*, specifically warned that bycatch, additional fishing capacity, and subsidies encourage further overfishing of already overfished fisheries, threaten biodiversity and food security, worsen poverty and reduce employment.²⁷ In fact, recalling the threat from large-scale driftnets that were banned by the United Nations in 1991, the ADB urged that "concerted international efforts are needed to ensure global bans on destructive fishing practices..."²⁸ In order to rid the oceans of these technologies, the report suggests "promoting the use of selective gear and discouraging destructive fishing methods should be pursued through a system of incentives and penalties."²⁹ Yet, this is explicitly contradicted by continued investments in longline fishing, which have bycatch rates of between 25-40%, have caused depletions in target fish stocks, have created extinction crises and have demonstrable impacts on coastal small-scale fisheries and food security.

In order to address these threats, the ADB report lays out the objectives of a precautionary approach it suggests will be followed in its fisheries investments:

The main challenge in optimizing economic returns from the fisheries sector is to manage the supply side through (i) protecting the regenerative potential of natural stocks and instituting national resource management, (ii) maintaining a high quality genetic resource base for capture and culture fisheries, (iii) protecting the integrity of ecosystem functions in both natural and artificial production

²⁶ *ADB Fisheries: Our Framework Policies and Strategies*, Asian Development Bank, August 2004, p. 22.

²⁷ *Ibid.*, pp. 23-24.

²⁸ *Ibid.*, p. 23.

²⁹ *Ibid.*, p. 27.

systems, and (iv) conserving biodiversity. While these biological interventions are necessary to manage the fish stocks (which has economic effects), the problem of overcapacity and overinvestment has to be addressed directly, and possibilities of fleet restructuring and reduction in effort need to be considered fully by governments.³⁰

"ADB's environmental guidelines will be applied rigorously in developing and implementing fisheries and aquaculture projects, which will generally adopt a more holistic and precautionary approach to fully consider the fishery-environment linkages," the report assures. In this policy, two recommendations stand out:

(iv) ADB will apply its environmental guidelines rigorously in developing and implementing fisheries projects and will adopt a precautionary approach to interventions with potential impacts on the environment.

vii) Projects will be designed in a holistic manner, incorporating environmental, social, and other costs and benefits not included in conventional cost-benefit analyses.

However, the policy never defines the precautionary approach. Considering that the precautionary approach implies that where there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation. In this context the proponent of an activity, rather than the public, should bear the burden of proof. As we will see, the policies guiding their investments policies are far from precautionary because the burden of proof is not placed on the borrower to demonstrate the extent of the environmental impact. While both projects were classified as category B, no environmental assessment was ever conducted.

Environmental Policy

The ADB's operating policy for assessing the environmental impact of its investments is

³⁰ Ibid., p. 24.

outlined in the *Operations Manual Bank Policies (BP), Environmental Considerations in ADB Operations* is not only far from precautionary but it is riddled with serious flaws. The policy allows the borrower to carry out environmental assessments and reports itself without any conditions, provides no means for canceling a project based on new information, does not base its environmental standards on best practices or best available science, has no oversight or appeals process, and is vague as to what the environmental standards to be followed by the project really mean.³¹

The first fundamental flaw with the policy is that it subsumes the need to protect the environment to the primary need to reduce poverty.³² While these two objectives may not necessarily be in conflict, *Operations Manual Bank Policies (BP), Environmental Considerations in ADB Operations* offers no way in which to reconcile the two.

Unfortunately, there is no requirement that scientific experts, local communities or even resource users be involved in these assessments. Most glaring is that there is no check on potential conflicts of interest that are bound to arise.

The assessment of the environmental impact is left entirely in the hands of the borrower. The borrower is specifically tasked with preparing the Environmental Impact Assessment for category A projects and the Initial Environmental Examination (IEE) for category B projects.³³ Unfortunately, there is no requirement that scientific experts, local communities or even resource users be involved in these assessments. Most glaring is that there is no check on potential conflicts of interest that are bound to arise from leaving the primary source of data about the state of the ecosystems in which the project is to occur and its potential impact in the hands of the borrower in whose interest it is to see that the project is approved and the money starts flowing.

The policy outlined in *Operations Manual Bank Policies (BP), Environmental*

³¹ *Operations Manual Bank Policies (BP), Bank Procedures, Environmental Considerations in ADB Operations*, OM Section F1/BP, Issued on 29 October 2003; and *Operations Manual Bank Policies (BP), Operations Procedures, Environmental Considerations in ADB Operations*, OM Section F1/OP, Issued on 29 October 2003.

³² *Operations Manual Bank Policies (BP), Bank Procedures, Environmental Considerations in ADB Operations*, OM Section F1/BP, Issued on 29 October 2003, p. 2

³³ *Operations Manual Bank Policies (BP), Bank Procedures, Environmental Considerations in ADB Operations*, OM Section F1/BP, Issued on 29 October 2003, p. 2; and *Operations Manual Bank Policies (BP), Operations Procedures, Environmental Considerations in ADB Operations*, OM Section F1/OP, Issued on 29 October 2003, p. 1.

Considerations in ADB Operations is founded on the flawed assumption that impoverished borrowers have the resources to carry out the necessary research to identify and study its ecosystems let alone to establish the means to conserve and protect it from being exploited, exhausted or destroyed.

For example, in the vaguely described EIA a "(ii) description of the environment" is required although what this means is left unclear. Without even a basic inventory how is the borrower is ever be able to estimate either "(iii) anticipated environmental impacts and mitigation measures" or "(iv) alternatives".³⁴ It is uncertain from this policy whether the ADB provides loans to carry out such inventories, conservation efforts or even "(vi) an environmental management plan that includes institutional requirements and environmental monitoring program" all of which, research into Marine Protected Areas demonstrate, can contribute as much or even more to the ADB's objective to " reduce poverty through environmentally sustainable development" by generating employment and income protecting these resources.

In fact, if and when correct so-called unanticipated environmental impacts are identified, there is no indication if the project can be cancelled and the borrower penalized. Furthermore, there is no commitment required of either the borrower or the ADB to pay the costs of repairing the damage if the damage can be repaired—which is the case of fisheries has proven to be extremely difficult. Rather, instead the ADB is to help the borrower " find the resources needed to mitigate the damage." There is no requirement that the ADB provide additional resources to do so or even that the damage be repaired but only "mitigated" assuming a reduction in future impacts. Even worse, "if unanticipated impacts are identified after a loan is closed, ADB encourages, and assists as required, the borrower to plan and implement remedial measures."³⁵ There is no requirement to do so.

Although a Project Completion Report, which identifies the environmental impacts, is required there is no indication that the loan may be cancelled for these impacts once the money has been awarded or penalized if undeclared impacts are found.³⁶

³⁴ *Ibid.*

³⁵ *Operations Manual Bank Policies (BP), Operations Procedures, Environmental Considerations in ADB Operations*, OM Section F1/OP, Issued on 29 October 2003, p. 7.

³⁶ *Ibid.*, p. 6.

It is hard to escape the conclusion that *Operations Manual Bank Policies (BP)*,³⁷ *Environmental Considerations in ADB Operations* is a paper boutique policy that is not enforced and unenforceable. This conclusion is reinforced by the absence of any information about whether any longline, let alone fisheries, investment project has ever been cancelled or rejected. According to this policy, it is extremely doubtful if any project could be cancelled as it is technically not a violation of the policy to incur environmental damage during the duration of the investment.

It is extremely doubtful if any project could be cancelled as it is technically not a violation of the policy to incur environmental damage during the duration of the investment.

Inter-American Development Bank

The Inter American Development Bank (IADB) funds many projects that are involved in the fishing industry. Unfortunately, the IADB is insufficiently transparent in its activities to gain a full picture of the extent of its investments in longline fishing. For example, while project documents are available to the public, they contain very few details and are of little use for gaining an understanding of what the project entails.

Their policy on environmental documents, which was effective until 2004, was even more troubling. The old policy allowed for the release of environmental assessments to be waived if "the borrower objects to the release of an EIA or other environmental analysis."³⁸ Their new policy has fixed this problem but it still has no regulations specifying a certain amount of time that these documents have to be released prior to board approval. Other MDBs have a policy requiring environmental assessments to be made available to the public 120 days before the project goes to the board for approval. Without a similar rule, IADB investments can be made without any public comment.

³⁷ *Ibid.*, p. 7.

³⁸ IADB, "OP-102 Disclosure of Information" (1994).

PROFISH or Go Fish?

The launch of the World Bank \$1.2 billion PROFISH program in August 2005 serves as an indirect acknowledgement of the damage MDB investments have inflicted on the ocean and global fisheries. Investments in fisheries were made according to environmental policies for which little or no capacity existed to implement or enforce them. According to Warren Evans, Director of the Bank's Environment Department who launched PROFISH, "In many countries [an existing mechanism to protect fisheries] basically doesn't exist. The poor governance, the lack of regulations, the lack of enforcement of regulations presents almost a barrier to effective fisheries management."³⁹

As its name implies, at its launch the vaguely described PROFISH program appears to be focused narrowly on fish as a commercial resource rather than a part of the marine ecosystem that must be protected from the threat of unsustainable fishing—a threat worsened by ongoing investments in unsustainable fisheries by MDBs. Except for promoting the use of Marine Protected Areas, PROFISH does not appear to address the wider ecosystem impact of unsustainable fishing such as extinction crises and biodiversity loss although the World Bank agrees that "overexploitation of fisheries resources poses the greatest threat to the ocean environment." As we have seen from the cases studies of four longline projects, while PROFISH supports a much needed focus on fisheries governance and policy reform, it appears to fail to direct that attention to its own institutions in the World Bank Group and other MDBs that have contributed to the fisheries crisis and continue to lack transparency. Before PROFISH can clean up the mess, so to speak, it needs to clean up the houses of the MDBs that helped make it. Unfortunately, it appears that PROFISH will not be addressing these issues.

Before PROFISH can clean up the mess, so to speak, it needs to clean up the houses of the MDBs that helped make it.

Conclusion

³⁹ World Bank, press release, "A PROFISH Approach," August 24, 2005, found at: <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20624446~pagePK:64257043~piPK:437376~theSitePK:4607,00.html>; and World Bank, *Turning the Tide*, p. 8.

Albeit relatively small in contrast to the total portfolios of these MDBs, the consequences of these four investments in longline fishing by the Asian Development Bank and the International Finance Corporation in the Pacific Ocean directly corresponds with catastrophic collapse in target fish stocks and will further push some bycatch species to the brink of extinction. While these institutions have recently put environmental and, in the case of the Asian Development Bank, fisheries policies into place, the root problem lies in the fact that the environmental policies of these MDBs do very little to actually protect the environment.

These policies are in a sense "born to fail." The policies are vague, allow self-assessment by the borrower, vulnerable to corruption or avoidance, unenforceable, and have simply failed to take into account existing scientific research that would have resulted in either a rejection of the project or a more strict classification and more assessment and oversight. In fact, responsibility for not only assessing the environmental impact of a project, preventing environmental damage and mitigating any damage that does occur lie almost entirely with the borrower.

MDB investments in longline fishing are examples of environmentally destructive unsustainable development that both damage the marine environment while undermining the objectives of reducing poverty and ensuring food security in developing countries.

To make matters worse, many projects are not even required to have even this flawed environmental assessment conducted. As we have seen in the case of the ADB, if a project is labeled as a category B project, no environmental assessment is even required.

Possibly the most glaring contradiction in the ADB's policy lies in the fact that any projects classified as either category B or C are approved. Since the ADB's environmental policy is supposedly based on the precautionary principle, the mere chance that a significant impact on the environment could occur may be enough to reject the project. However, because the ADB did not require an environmental assessment, it is possible to conclude that the precautionary principle is not followed in practice.

Finally, the impact of longline fishing on local small-scale fishing and coastal and island communities as well as the contribution of overfishing to poverty, which the World

Bank has acknowledged, has not been adequately assessed.⁴⁰ While it has now been determined that bigeye and albacore tuna have been overfished, what is still not entirely known is the impact on the economies of small coastal and island nations which rely on fishing for a significant part of their revenue. With the recent layoffs, cutbacks in operations and shutting down of tuna processing plants in the South Pacific due to a lack of fish, MDB investment in longline fishing is having the opposite of its intended objectives.

To date, MDB investments in longline fishing are examples of environmentally destructive unsustainable development that both damage the marine environment while undermining the objectives of reducing poverty and ensuring food security in developing countries. Investments in longline fishing will worsen the crisis of the ocean, contribute to the threat of extinction, exacerbate overfishing and undermine sustainable economic development.

⁴⁰ World Bank, *Turning the Tide*, p. 4.

Recommendations for MDB Fisheries Investments

- Cancel all existing longline projects in the Pacific Ocean and implement a moratorium on future projects
- Establish an independent commission comprised of international scientific experts, NGOs, industry and communities to carry out a comprehensive biological, environmental and social assessment of existing MDB fisheries projects and policies
- Require all potential borrowers and corporate and NGO partners to post a bond adequate to pay at least 200 percent of the estimated cost of restoring the environmental and social damage caused by investments in destructive fishing technologies and compensate communities impacted by the damage
- Establish a fund in the form of grants to pay the remaining cost of restoring the environmental and social damage caused by investments in longline and other destructive fishing technologies and compensate communities impacted by the damage not covered by the insurance
- Establish independent oversight panels comprised of local and international scientific experts, NGOs, industry and communities to carry out biological, environmental and social impact assessments of proposed projects based on best practices
- Require that a biological, environmental and social impact assessment be conducted for every project under consideration and be completed and published in its entirety 6 months before a decision is made.
- Require that all assessments consider a "no project" option
- Require that each approved project be carried out according to best practices so as to reduce its impact on the environment
- Require that a biological, environmental and social impact assessment be conducted upon completion of the project
- Require that all complaints be submitted to an independent oversight panel comprised of local and international scientific experts, NGOs, industry and communities

- Establish penalties for non-compliance with the environmental policy governing the investment
- Make all documents pertaining to projects available to the public