

# BANKWATCH

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Watching the ADB's programs, policies and projects

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## ADB's Business: in Crisis?

By Hemantha Withanage



A 100-year old school in Khulna Jessore, Bangladesh submerged into water due to the ADB-funded Khulna Jessore Drainage Rehabilitation Project (KJDRP).

Some think ADB should reform.

Some think ADB should leave. Whatever the public opinion is, Asian Development Bank is already in crisis.

According to the latest Asian Development Bank Operations Evaluation Department Annual Report on Loan and Technical Assistance Portfolio Performance for the period ending 31 December 2004, Ordinary Capital Resources (OCR) income fell by 43% during 2001–2004. Total loan disbursements during 2004 was \$3.45 billion, which down for the second straight year and at its lowest level for the decade. At 17.7%, the disbursement ratio was at its lowest since the beginning of the Asian financial crisis, indicating that the large, short-term increase in lending and disbursements was no longer affecting this key portfolio indicator.

It also stated that “the backlog of delayed program loan tranche releases reached a high of \$1.24 billion in 2004. The fact that 26 (84%) of the 31 delayed releases were for second or third tranches, the oldest dating back to 2001, suggests that while the DMCs initially committed to the agreed reforms, they subsequently found them difficult to complete or lost interest in following through, either due to internal resistance or to unrealistic conditions of the loan.”

According to the report “one or more of the following factors may be at work: (i) DMCs may lack ownership of and commitment to the reform agenda, (ii) the reform agenda may be overly complex and ambitious, and (iii) the time and effort required to

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implement the reform program may have been underestimated. They also state that delayed program loan tranche releases have exceeded \$1 billion for several years, suggesting that ADB, like other donors, should reexamine the way in which conditionalities are used.

Among the OED's major findings are as follows: stagnation in OCR loan approvals; there are persistent delays in project implementation; there is a growing problem with year-end bunching for loan and technical assistance (TA) approvals as well as project completion reports (PCRs) and technical assistance completion reports (TCRs); OCR project loan disbursements have declined steadily during the past decade; many developing member countries (DMCs) are finding it difficult to meet the conditions for program loan tranche releases; ADB lending is heavily concentrated in a few DMCs—Bangladesh, the People's Republic of China (PRC), India, Indonesia, the Republic of Korea, Pakistan, the Philippines and Thailand together have received 83% of the total; in response to falling interest rates, during the past 3 years a few large borrowers have been prepaying their older and relatively expensive OCR loans; the OCR loan prepayments have resulted in negative net resource transfers (NRTs) from ADB to the DMCs; and OCR income fell by 43% during 2001–2004.

The report stated that “These broad trends all support the contention that ADB's traditional lending products and systems no longer meet many of the needs of its key clients. The MIC/OCR countries have clearly indicated

the need for more flexibility from ADB with regard to (i) the allocation of loan and TA resources; (ii) the types of lending instruments offered; (iii) the application of loan commitment fees, interest rates and repayment periods; (iv) the use of

*...unless ADB can address these issues by developing new products and procedures to meet the development needs of the DMCs, ADB will be threatened with losing relevance as the premier development institution in the Asia and Pacific Region.*

country systems; (v) the application of various policies and procedures associated with the poverty reduction strategy, safeguards, etc.; and (vi) addressing the growing demand for support to the private sector.”

The report also stated that unless ADB can address these issues by developing new products and procedures to meet the development needs of the DMCs, ADB will be threatened with losing relevance as the premier development institution in the Asia and Pacific Region. Effective loan administration and good portfolio management are essential for ADB to fulfill its development mandate. Up to 20% of the ongoing loans and 75% of the ongoing TAs went without a review mission during 2004 due to insufficient staff and other resources to project administration.

While the report is bringing ADB's business crisis, it raises the questions on aid effectiveness, accountability and mismanagement. ADB uses public money which does not benefit the public. While the crisis in ADB is good news for lobbyists who are looking for a better financing mechanism for the region, which is also accountable to the people, the danger of the present crisis is that ADB is now going through weakening of its standards.

This is bad news. The growing trend is that countries have access to the money of the bilateral export credit agencies which easily lend money without any safeguard or accountability attached in it.

The Safeguard Policies are first in the line for guillotine. The Forest Policy was totally stuck in the review process. The country system may improve the sovereignty rights of the individual countries. However, it may also worsen the situation in many countries which does not have or does not follow the stronger policies and regulations. The accountability mechanism and the latest Public Communication Policy are also seen as a threat to ADB's business. The increase of access to ADB money by the private sector may further lead to a crisis.

ADB is going through the reduction of a number of policies. ADB's policies and accountability mechanism is the only way that the civil society can intervene. ■

# Approval of Tangguh Gas Project in West Papua: A Sign of Weakening Safeguards

Disregarding concerns of local communities and civil society organizations, the Asian Development Bank (ADB) board approved the controversial Tangguh Gas Project located in Papua province of Indonesia.

This is the first private sector project in the oil and gas sector in Indonesia. ADB will provide USD 350 million Private Sector Loan for building Liquefied Natural Gas (LNG) facility to export LNG to PRC, Korea and the West Coast of North America. The LNG facility will initially consist of two “trains” (equipment units that purify and liquefy gas) with name-plate capacity of 7.6 million tons per annum of LNG. The project is sponsored by British Petroleum (BP), China National Offshore Oil Corporation, Nippon Oil Exploration Ltd, Japan Oil, Gas, and Metals National Corporation, and LNG Japan Corporation.

Although this is an Environment Category A project, civil society organizations in Indonesia raised many environmental and social concerns with regard to this project. WALHI (Indonesian Forum for Environment), KAU (Indonesian Anti-Debt Coalition), and JATAM (Indonesian Mining Advocacy Network) sent a letter of disagreement to the ADB Board in December 2005 stating that “Tangguh project is being developed without adhering to the principle of Free, Prior and Informed Consent for the indigenous customary landowners.” It is opposed by some affected villagers

and is causing serious social tensions within and between landowning communities.

In fact, a letter of condemnation of the Tangguh project has been signed by over 300 individuals and NGOs from Papua province and elsewhere in Indonesia. Other nations also sent similar letters in 2004. They wrote that the indigenous landowners of Tanah Merah are unsatisfied with the IDR 15/m<sup>2</sup> (USD \$0.0015/m<sup>2</sup>) compensation they received in 1999 for the compulsory acquisition of their land for the Tangguh project.

The letter sent by the Indonesian civil society groups further raised issues on environment. The process of conducting environmental impact assessment (EIA) for the Tangguh project was seriously flawed, without meaningful consultation of affected communities, and was a “rubber stamp” process since the national government granted the Tangguh license before the EIA process was even completed. Significant impacts are inevitable to the sensitive mangrove environment and waters of Bintuni Bay, which serve as nursery habitat for regional fish populations, not to mention forming the basis of local traditional sustainable livelihoods.

The groups further accused ADB for supporting the Tangguh fossil fuel project and claimed that ADB is misdirecting funds which could be better used to support the transition of Indonesia’s energy sector to

renewable energy, which due to budgetary constraints is only planned to account for 2% of national energy supply. Support for renewable energy would create more jobs and benefits such as energy for the many Indonesian villages still living without electricity, rather than supporting the economies of foreign countries and the profits of foreign multinational corporations such as BP.

The organizations are also concerned on the security arrangements and human rights. They wrote BP’s community-based security arrangements are untested and do not guarantee that the notoriously corrupt police and military forces will not engage in rent-seeking behavior by stirring up trouble to ensure their presence. Moreover, paid services are required in the project area.

The groups likewise accused ADB for ignoring the results of the investigation conducted by Dr. Emil Salim following the request of World Bank, which identified numerous problems with oil and gas projects and concluded with a recommendation that World Bank cannot provide further support to oil and gas projects.

Hence, the organizations demanded that ADB should postpone making a hasty decision on this project pending the provision of complete information to the Indonesian

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# NO to Weakened Standards YES to Accountability

*The letter was endorsed by 48 Civil Society Groups engaged in monitoring ADB's Safeguard Policy review*

16 March 2006

## Open Letter to ADB on Safeguard Policy Update

Dear Mr. Kuroda,

As you are aware, the Asian Development Bank initiated a review of its Involuntary Resettlement Policy, Environment Policy and Indigenous Peoples Policy, collectively known as the Safeguard Policies, in July 2005. As civil society organizations concerned with ADB operations, we'd like to offer this letter as our comment on the Safeguard Policy Update.

ADB's Safeguard Policies are essential to its stated mission of poverty reduction and were developed to guarantee certain standards of social and environmental protection in ADB funded projects. As a public institution with a development mandate, ADB should strengthen its environmental and social standards and hold ADB management accountable for policy implementation. In particular, ADB should:

- Uphold and ensure **compliance with international human rights, labor and environmental laws, conventions, and norms**. The policies should reference relevant international laws and standards and ensure that projects are designed and implemented in accordance with member countries' applicable international commitments.
- Develop **clear and comprehensive social and environmental policy frameworks** that demonstrate a commitment to sustainable development and poverty reduction. In ADB-supported projects, the ADB and clients should continue to be required to meet ADB safeguard policy requirements.
- Establish **mechanisms for compliance and ensure accountability for results on the ground**. The updated policies should state the intended objective or outcome of the policy and ensure that borrower and ADB compliance with that objective will be monitored, evaluated, and reported on a project-by-project basis. The policies should also outline the specific procedures to be followed by ADB and its borrowers to achieve these objectives.
- **Protect the rights of all affected communities and ensure respect for indigenous peoples' internationally guaranteed rights**, including their rights of ownership over lands and resources traditionally owned or otherwise occupied and used, and only support projects that have the free, prior and informed consent of indigenous peoples arrived at through their customary decision-making processes.

We welcomed ADB's leadership in establishing a strong Public Communications Policy and Accountability Mechanism. However, based on the ADB's October 2005 Safeguard Policy Update Discussion Note, experience with ADB projects, and past initiatives at other multilateral development banks (MDBs), we fear that unless clear statements are made to the contrary at the outset, the Safeguard Update at the ADB will provide an opening to weaken social and environmental standards in substance, spirit and scope. By way of context, we also note that this "update" is being initiated at a time when we perceive the following perverse trends, which threaten to move ADB farther away from its development mandate:

- **Flexible Principles and No Accountability**. Instead of increasing minimum standards in order to better protect the rights of people in ADB member countries, the Discussion Note indicates the ADB is planning to move towards a discretionary system of weakened social and environmental "principles." ADB is laying the groundwork for a shift to emphasize Country Systems and move away from international standards, to which ADB should be held accountable.
- **ADB's Borrowers: "Money with No Safeguard Strings Attached"**. Large OCR borrowers have made it known that they see safeguard policies as an obstacle to speedy project processing and headache-free project implementation. Some borrowers disagree with the protections afforded vulnerable groups and the environment under ADB's current policies.

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# Reject the ADB/World Bank-Funded Sindh Coastal & Inland Community Development Project – Sindh Communities

Hundreds of communities and civil society activists staged a protest march against World Bank, Asian Development Bank and their mega projects during the World Social Forum held in March 2006 in Karachi, Pakistan. They accused the International Financial Institutions (IFIs) of degrading the livelihoods of millions of communities and increasing poverty and marginalization in Sindh and Pakistan

The march was organized by Save Indus Delta Network (SIDN), a conglomerate of more than 50 civil society organizations from the coastal area of Sindh. Women and children from the coastal areas of Thatta, Badin and other areas joined the protest.

While addressing the conference, PDI Director Sikander Brohi announced that the campaign against the mega projects of WB and ADB implemented in Coastal Sindh would now be further extended to the remaining areas of Sindh and Balochistan. He said that the mega projects of WB and ADB have degraded the livelihoods of millions of communities in Pakistan. Both IFIs are directly responsible for the growing poverty in Pakistan.

Earlier in February 2006, the community organizations, civil society activists, researchers and experts in the Coastal Sindh (Indus Delta) rejected the ADB Sindh Coastal & Inland Community Development Project document and established the "Save Indus Delta Action Committee," and launched a struggle against the negative aspects of the project.

The group expressed their concern that the project completely ignored the key issues of Coastal Sindh especially the continuing degradation of the fertile lands, growing seawater intrusion and drastic reduction in fisheries livelihoods. The latter was a result of reduction in the flow of water from the Indus which flows downstream to Kotri Barrage. ADB suggested no measures to properly address the issues.

The project document also did not address the key issue on water rights of the lower riparian especially the water right to the downstream Kotri Barrage (Indus Delta). Water from the Indus is blocked despite the Water Accord of 1991. To ensure that the Indus flows downstream to Kotri Barrage, the project document emphasized on water management which showed complete deviation from the key issues.

The community representative believes that WAPDA-Pakistan, World Bank and Asian Development Bank are equally responsible for the deaths and the disaster that occurred in Badin and Thatta districts as a result of faulty design of the Tidal Link of Left Bank Outfall Drain (LBOD). They demanded for the compensation for the deaths of more than 300 people, displacement of more than 5,000 people and degradation of thousands of acres of land. They said that it was the moral and legal responsibility of ADB to address the negative impacts of the LBOD and suggested measures for the rehabilitation of the affected communities and their resources.

The civil society also criticized the major emphasis of the project on the so-called

institutional reforms in Coastal Development Authority (CDA) and Sindh Fisheries Department. They said that past experiences of the so-called institutional reforms on the behest of World Bank and Asian Development Bank miserably failed in Pakistan, deteriorating further the condition of the communities.

The community representatives criticized the project document for completely ignoring the degradation of the fresh water, wetlands and lakes of Coastal Sindh. They said that the project document ignored the needs of the people in the community and recommended its own activities. The project activities focused on exploiting the resources of the area instead on the lack of livelihood opportunities.

The project activities include privatization of public institutions and lands, restructuring of the Fisheries Department and establishment of a land company that will keep the titles of government lands and make said lands available to the farmers.

The coastal region is a disaster prone area. More than 20 disasters hit the region since the last 16 years inflicting heavy losses of lives and livelihoods in the coastal communities. However, the project document did not mention anything about it.

The community leaders allegedly said that the project document was prepared without proper consultation with the communities. They demanded ADB to reject the existing project document and

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# Another ADB Disaster!

## Khulna Jessore Drainage Rehabilitation Project (KJDRP) – Bangladesh

By Hemantha Withanage

Khulna is the third largest city in Bangladesh. It is located in the south west coastal area of the country. My visit to Khulna was an unplanned journey. However, it was unfortunate to see one more disaster created by the Asian Development Bank.

Loan No 1289-BAN [SF] is a SDR 35.91 million loan to Bangladesh Government. The money was spent for building dams along the banks of the Hari River (a tributary to Ganges River) to prevent tidal waters from going into the lowlands and wetlands.

The project resulted to over 5 million hectares of waterlogged areas and over 1 million residents becoming environmental refugees. During the tidal flow (around four times a day), women who live in the river bank tie their children to their bodies to prevent them from falling into the river water. Women walk more than 5 kilometers everyday to find potable water. People walk over foot bridges which are made of bamboo. The 100-year old school is under water. More disasters are foreseen to come.

According to Zakir Kirbia of Bangla Praxis, a civil society organization based in Dhaka, ADB designed and funded the project with the objective of reducing poverty by alleviating river drainage congestion. The project was implemented in eight *thana* (local government units) of Khulna and Jessore districts in the southwest coastal area covering 100,600 hectares. The project area was part of Coastal Embankment Project, which the USAID funded in mid-1960s. ADB earlier

funded a similar project in the area, Khulna Coastal Embankment Rehabilitation Project. It was under Loan 819-BAN [SF] which amounted to \$16.9 million. It was implemented between 1986 and 1993. The KJDRP aimed to achieve its objective by rehabilitating the river drainage infrastructure, by constructing a series of sluice gates and regulators on the river to protect the *beels* (wetland) area from tidal and seasonal flood, and by supporting agricultural extension.

According to the local communities, the idea of controlling the tidal flow of the rivers will not provide solution to the problem. Rather, heavy siltation, which is a natural characteristic of the rivers in the region, will make the sluices and regulators clogged. The local communities, led by Uttaran (a local NGO) and Pani Water Committee, opposed the project from the very beginning and suggested an alternative plan: Tidal River Management (TRM). However, ADB ignored the demand of the people and went ahead with the project based on engineering solution. The project was officially completed in 2002.

The local communities were right. The project did not bring the promised result and created massive environmental problems. *“These earlier interventions saved about 400,000 ha of agricultural land from salt water intrusion caused by daily tide flows and drainage congestion during monsoon. However, these projects caused catastrophic drainage congestion due to silt in the river*

*channels, outside polders and along the sluice gates,”* the PRC said (ADB 2004, PCR: BAN 21087).

On the KJDRP project completion report (PCR), Mr. Kirbia commented that similar projects were implemented in the past. “If ADB experiences had shown them that blocking the natural tidal flow would cause congestion and siltation along sluice gates, then why are they funding once again a similar project to relieve river drainage congestion?” he asked.

According to Ashraf ul-Alam Tutu, coordinator of Coastal Development Partnership of Khulna, the project area has become an

***“However, these projects caused catastrophic drainage congestion due to silt in the river channels, outside polders and along the sluice gates,” - ADB 2004, PCR: BAN 21087***

ecologically damaged zone and unlivable. Most of the lands are waterlogged. There is no available drinking water. A number of rivers have died out because of sedimentation. Local fisherfolks, who are dependent on open waters fishing, lost their primary source of income. Most of the regulators and sluices are not working properly because of sedimentation.

Under the project, an 8-vent sluice gate was constructed to drain the Khuksia

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# A Call for Sustainable and Equitable Energy Planning for the Greater Mekong Subregion

By Carl Middleton, IRN

The Asian Development Bank (ADB) is promoting the development of a “Mekong Power Grid.” If implemented, it would facilitate the construction of numerous hydropower schemes in the Mekong Region. Carl Middleton of the International Rivers Network discusses the problems with regard to the plans for the grid, and civil society’s call for a “Comprehensive Energy Options Assessment.”

## Introduction

In the relentless pursuit of its vision of economic integration under the Greater Mekong Subregion (GMS) Initiative, ADB is promoting a “Regional Power Interconnection and Power Trade” as a flagship project, more commonly referred to as the Mekong Power Grid (MPG). Norwegian hydropower consultants, Norconsult, prepared the plan through technical assistance (TA) packages commissioned by ADB. The MPG plan proposes to exploit areas of the Mekong Region where hydropower potential is abundant, namely China’s Yunnan Province, Burma (Myanmar), and Laos – where community opposition is stifled - to provide energy to the power-hungry economies of Thailand and Vietnam. A regional transmission grid would connect the dams and a proposed “power pooling” arrangement would facilitate cross-border trade in electricity. Private sector investment will be encouraged to help meet the MPG’s price tag of more than US\$43 billion.

Whilst progress on the MPG slowed during the Asian financial crisis, momentum is once again building. At the Second GMS Summit in Kunming in July 2005, the six GMS region governments signed a Memorandum of Understanding to implement the “Regional Power Trade Operating Agreement,” prepared under a recent ADB-financed TA (Mercados and Soluziona, 2004).

## The Dubious Benefits of the Mekong Power Grid

In an analysis commissioned by Palang Thai, Dr. Bretton Garrett, a Canadian electrical engineer of considerable experience, outlined several major concerns regarding the overall concept of the MPG. Primarily, Dr. Garrett questioned the wisdom of committing to an expensive, long-term electricity trade arrangement without certainty of economic benefits (Garrett, 2005). For an investment of more than US\$43 billion, the total expected benefits would amount to only US\$914 million, which represents a saving of just over 2% as compared to the non-project scenario. Furthermore, because the costs of the hydropower schemes proposed under the MPG are at present unknown, the economic viability of the entire MPG plan is based largely on speculation and assumption.

One of the key concerns of the MPG is the distribution of costs and benefits. Dr. Garrett pointed out that whilst consumers would shoulder the initial cost and risk of investment in the construction of a regional transmission infrastructure, it will be the generation companies that reap the economic benefits from savings in generation costs in the absence of a competitive marketplace for buying and selling power through the MPG. Ominously absent from the MPG plan is the priority establishment of a truly independent regulator that would ensure accountability of the generator and

transmission grid operators to the consumer. This measure would be crucial in guaranteeing equitable distribution of any economic benefits derived from a regional power trade arrangement, were they to arise.

Harmonizing electricity generation and transmission operations across the Mekong region presents a formidable technical and political challenge for the GMS countries. Failure to cooperate closely on both levels risks large-scale blackouts and ensuing political crisis. Even in regions with strong technical skills and close political ties, tempers can quickly flare up when sharing energy resources beyond national boundaries. In a recent incident involving the Nordic power grid (upon which the MPG is modeled), Swedish operator Kraftnät, reduced by 30% its power exports to Finland to secure supply for domestic needs. It only provided a two-minute warning, which consequently caused an all-time high in Finland’s electricity prices (Helsingin Sanomat, 28.2.2006). The incident caused political tension between the countries, and in the end the Swedish Minister for Sustainable Development was forced to apologize to her Finnish counterpart.

## Energy inefficiency and better solutions

There are better options for meeting the region’s energy needs. Thailand and

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Vietnam currently use energy very inefficiently. In 2003, Thailand used almost three times more energy per dollar of gross domestic product than Japan, and about 40% more than the US, according to the US Department of Energy. Vietnam's energy efficiency ratio is even worse. In 2003, Vietnam used five times more energy per dollar of GDP than Japan, and almost three times more than the US. Clearly, Vietnam and Thailand have significant potential for demand side management. Besides, not all of the power-generating capacity claimed to be required in the future may actually be needed. The science of "energy forecasting" attempts to estimate a country's future energy needs, and therefore how much additional capacity will be required. If this estimate is too high then excess generation capacity is commissioned unnecessarily. Over-estimation of demand has consistently occurred in Thailand where the state electricity utility, the Electricity Generating

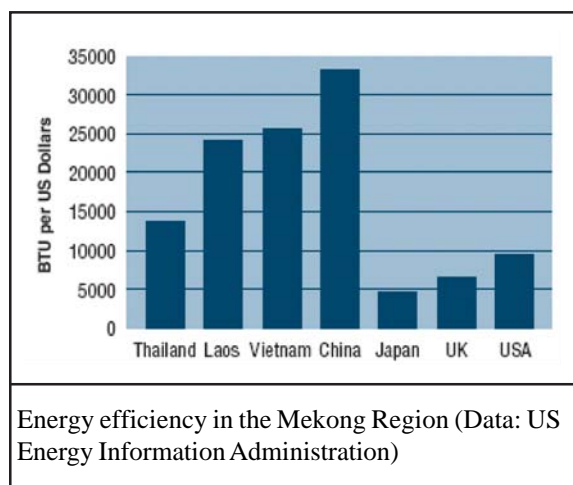
over 6000 MW (Permpongsacharoen, 2004).

The Council proposed an "alternative PDP" which illustrates how new supply could be met with lower cost, lower impact and lower risk resources, avoiding the need for imported hydropower. These options include demand side management (shifting load to off-peak and increasing energy efficiency of the end-user), renewable energy (biomass, solar, and wind energy, small hydropower under 10 MW), cogeneration (combined production of heat and electricity) and optimizing the efficiency of existing plants (repowering). Yet despite evidence that alternatives exist, successive ADB-financed studies have failed to investigate the potential for energy efficiency and renewable energy in the region.

### Call by Civil Society for a Comprehensive Energy Options Assessment

Justification for the MPG plan is founded on dubious grounds. A

transparent, participatory process is urgently required to examine objectively the Mekong Region's energy needs and identify viable, sustainable and equitable solutions. In January 2006, 29 NGOs from the Mekong Region called on ADB to support a "Comprehensive Energy Options Assessment" in line with the recommendations of the World Commission on Dams.



Authority of Thailand (EGAT), is responsible for preparing the forecasting figures. A report by the National Economic and Social Advisory Council, a government advisory body, concluded that EGAT's 2004 Power Development Plan (PDP) had overestimated power demand growth for the coming 13 years by just

What would this proposed Comprehensive Energy Options Assessment entail? At the beginning of the process a multi-stakeholder consultative group would be formed, composed of regional governments, donors and civil society. It would oversee and implement the regional energy needs and options assessment. The first task then would be to take a

critical look at energy demand projections for Thailand and Vietnam, and develop realistic forecasts. Based on these figures, all potential options for meeting the region's energy needs would be considered, including the role of demand side management, decentralized energy generation, and renewable energy technologies. These potential options would then be weighed-up, taking into account social, environmental and economic factors, and ranked them on the basis of a multi-criteria analysis. The result of this analysis would be made available in the local languages in the region, and stakeholder forums will be convened to decide which options should proceed to full investigation stage. Public hearings would be organized to provide input into the multi-stakeholder forums.

The process would lead to a regional energy sector strategy that aspires to the World Commission on Dam's core values of equity, efficiency, participatory decision-making, sustainability and accountability, thus decreasing the potential for future conflicts over energy development. An upcoming TA entitled, "Developing the Greater Mekong Subregion Energy Sector Strategy," which was approved by ADB Board of Directors in January 2006, presents the ideal opportunity to implement such a process.

### Conclusions

Where the MPG to go ahead, the distribution of costs and benefits among stakeholders would be vastly unequal. Whilst local communities affected by hydropower schemes stand to lose access to the natural resources upon which they depend, urban elites and private sector companies will benefit the most. By accepting the call for a Comprehensive Energy Options Assessment, ADB could prove itself



During current CSP period, ADB loans started from US \$ 1.67 billion in 2003 and are slated to increase to US \$ 2.05 billion in 2006, totaling to US \$ 7.5 billion. Projects financed by ADB range from energy and power sector reform and restructuring to road transport, water, irrigation, flood control, tourism, urban development and administrative and fiscal reform. These projects are located across Jammu & Kashmir, Uttaranchal, West Bengal and the North East, to Madhya Pradesh, Chhattisgarh, Gujarat, Rajasthan, Karnataka and Kerala. ADB's array of policy conditions include, a) adopting legislations and regulations that favor private sector involvement in key sectors, b) market-friendly restructuring, c) corporatisation and privatization of public enterprises and utilities, d) creating a flexible labour force, e) commercialization of agriculture and f) trade and investment liberalization.

### **Mobilizing against the Annual Governors' Meeting**

ADB will hold its 39th Annual Governors' Meeting (AGM) from 3-6 May 2006 in Hyderabad in the State of Andhra Pradesh in southern India. The Governors are the highest level of decision makers in ADB. Appointed by the ADB member countries, they are high-ranking national officials such as Finance Ministers or Secretaries of National Treasuries. The current Chair of the AGM is Indian Finance Minister P Chidambaram. Since 2000, peoples' movements, communities affected by ADB projects, progressive academics, intellectuals, labor unions, activists and NGOs have used this opportunity to successfully mobilize themselves at the AGM venues and protest against the institution and its development policies.

In 2000 and 2001, ADB was shocked by the intensity of protests and strong messages sent to ADB by people's movements in Thailand and the US. The last AGM was in Turkey in 2005 where local movements and organizations lent great support to the project affected and protest organizations that gathered for the AGM.

In 2006, the eyes of the movements and struggles in Asia will be in Hyderabad and India. People's struggles against destructive development and oppressive economic and political structures are legendary in India and particularly in Andhra Pradesh. Andhra Pradesh does not have any ADB supported projects, but it is already a victim of the World Bank conditionalities – the power sector workers, the road transport workers, the displaced tribal and the rural poor. In the recent past, the people of Hyderabad and Andhra Pradesh gave a befitting reply to the Chandrababu Naidu Government that tried to foist a World Bank dictated reform agenda. Thousands have marched in the streets of the city calling for the rejection of the World Bank's AP economic restructuring loans. The government that refused to listen to its people was comprehensively voted out of power. The present government, unfortunately, continues to walk on the same path, eager to bring in foreign investment at any cost.

The Hyderabad AGM offers us the opportunity to work with the groups in Andhra Pradesh. Movements, communities, organizations and activists in India and across Asia should come together and raise a collective and unified voice against neo-liberalism. Whether through World Bank or ADB projects, the net impacts on communities and societies are the same, especially on the rural and urban poor (who are vulnerable), and the marginalized, the workers, dalits, tribal, women, peasants, fishworkers, hawkers and slum dwellers.

Come May 2006. Let us give a unified message to ADB, World Bank and all the other corporations who covet India's resources and wealth, encroach upon the sovereignty of countries across the globe and in Asia.

Enough is enough!

No to ADB, World Bank and the marauding corporations!

Governments listen to the voices of the peoples!

*Peoples' Forum against ADB comprises of the following groups from India and Asia:*

National Alliance of Peoples Movements, Narmada Bachao Andolan, Asia Pacific Movement on Debt and Development (APMDD), Freedom from Debt Coalition, Philippines Rural Reconstruction Movement (PRRM), Karnataka Rajya Raitha Sangha (KRRS), Equations, Nadi Ghati Morcha, River Basin Friends, Environment Support Group, ADB Quit Kerala Campaign, INSAF, CORE, Urban Research Centre, Focus on the Global South, Citizens Concern for Dams & Development, Delhi Forum, Samata, National Forum of Forest People & Forest Workers, mines minerals & People, Shaheen Centre, Consumer Protection Forum, Water Initiatives, Consumer Protection Forum, Civil Society Initiative on IFIs (NE), Intercultural Resources, NGO Task Force on ADB, Nagarika Hitharakshana Samithi, Balakedarara Hitharakshana Vedike, Anikethana Trust, India Centre for Human Rights and Law (ICHRL), Palni Hills Conservation Council, National Fishworkers Forum, Polavaram Project Andolana Samithi, Naga Peoples Movement for Human Rights, Movement Against Uranium Projects, Centre for Environment Concerns, Aman Vedika, ITDS, Peoples Alliance Central East India, Japan Centre for a Sustainable Environment and Society (JACES), Center for Economic Justice, PAIRVI, Jharkhand Jangal Bachao Andolan, Bureau for Human Rights, Adivasi Mukthi Sangathan, Peoples Movement in Subansiri Valley, Krishak Mukti Sangram Samithi, Arunachal

***ADB, like the World Bank, has become the custodian of private investment and the promoter and protector of corporate interests and profits.***

beel/wetland to Hari River. The catchment area of this wetland is around 16,000 hectares which covers 51 villages. After the construction of the sluice gate, the tidal flow of Hari River could not come into the Khuksia beel/wetland. As a result, the river became silted.

There was an instance where the local people breached the nearby Bharatbhaina beel/wetland. They opened the sluice gates to release the sediments and silt in the beel.

The Hari River became 30 feet deep. But now, the river is totally silted. In times of heavy rain, the water cannot flush out through the river and the villages are submerged into water. There are many similar stories.

According to the local communities, during the design stage of the project, local people started to mobilize and submitted petition to the local government authorities. A petition was also jointly submitted by Uttaran, CEN, ADAB, Pani Committee and a number of other NGOs to ADB. Due to this, the director of Uttaran and several other activists of Pani Committee were harassed and detained by the police under the Special Powers Act.

The local community and NGOs suggested that the natural tidal river flow should be allowed to enter the wetland to keep the natural sedimentation process. They also demanded an independent environmental and social impact assessment of the project. A visiting team from ADB discussed the issues with the government water authorities and local NGOs and recommended for the conduct of an EIA. Initially, the EIA was not done in a participatory manner. Local authorities tried to impose the already spelled out objectives of the project.

But the continuous campaign of the people forced the team to investigate

further the EIA conducted by CEGIS, Inc. and endorsed a tidal river management (TRM) as a viable option. The report recommended six options. TRM came as the sixth option.

Options based on constructing engineering structures would cost around \$62 million. On the other hand, implementing the TRM would only cost \$0.7 million. The report also termed TRM as socially acceptable.

In response to increasing community mobilization, the project authorities incorporated the idea of TRM in the project. But it was not implemented in a proper way. Site selection was not done according to people's suggestions and demand. Instead of cutting the embankments as demanded by local communities, water was ventilated through sluice gates which made the implementation of TRM redundant. However, the PCR of KJDRP did not mention anything about the people's protest and mobilization, and how ADB incorporated, inadequately though, a concept developed in the local community.

The project was a total disaster and affected communities have no chance to use the accountability mechanism. The project was completed in 2002 and the PCR was done in 2004.

We wonder what the Operation Evaluation Department has to say to this.

In a recent communication between Bangla Praxis and OED, Mr. Bruce Murray, Director General of the Operation Evaluation Department wrote, "The projects for which OED undertakes an independent evaluation are selected randomly.... Although the Khulna Jessore Drainage Rehabilitation Project (KJDRP) was in the list, it was not among the projects selected at random for evaluation." He said they will include the Khulna Jessore Drainage Rehabilitation Project (KJDRP) in the 2007 list again. If it is not selected in

2007, they will revisit the issue and decide whether OED should conduct an independent evaluation. There is no assurance for an evaluation. Will the disaster go without an evaluation?

A similar project is coming in Southwest Bangladesh, namely the "**Southwest Area Integrated Water Resources Planning and Management Project.**" It will be co-financed by the Government of Netherlands and Asian Development Bank. Communities wonder why ADB cannot learn from the Khulna- Jessore disaster? ■

### **ADB, World Bank, Quit Asia!..., continued from Page 8**

Citizens Rights, Indigenous/Tribal Peoples Development Center, Rural Volunteers Centre, Human Rights Tamil Nadu Initiative, Parisava Badokidara Vedika, Human Rights Law Network, SAKSHI Human Rights Watch, Chatri, Jharkand Labour Union, Dalit Women Forum, National Hawkers Federation, Net Work of Persons with Disabilities Organisation (NPDO), Lok Raj Sangathan, Consumer Protection Council, Manthan Adhyayan Kendra, South Asia Network of Dams, Rivers & People, Grassroot Options, FIMCOTN, Dwarf People's Organisation, Chatri, New Trade Union Initiative, SEVA, SABALA, National Campaign on Dalit Human Rights, Women's Collective, Bangla Praxis, Nagarik Udyog, Corporate Accountability Desk of The Other Media, Chasma Lok Sath, National Centre for Advocacy Studies, Open Space, Peoples Voice, Gangpur Adivasi Forum, Dalit Mukti Morcha, Plachimada Solidarity Committee, Pani Committee, Kaselu Palu Group (PNG), Uttaran, AOSED, Save Chara River Campaign, Gono Udyog Forum, Green Movement of Sri Lanka

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### **Reject the ADB..., continued from Page 5**

prepare another one which will involve the participation of the coastal communities and will give priority and importance to the real problems of the coastal communities.

For more information, contact Participatory Development Initiatives [PDI] Email: [pdi@cyber.net.pk](mailto:pdi@cyber.net.pk), website: [www.pdi.org.pk](http://www.pdi.org.pk) ■

public, including information using the Indonesian language.

In line with the organizations' appeal, Stephanie Fried, senior scientist of a US-based environmental organization called Environmental Defense, made a letter for US Executive Director Paul Speltz. In the that letter, he urged the US executive director to respond to the concerns raised by the Indonesian non-government organizations (NGOs) since ADB seemed to overlook the environmental and social impacts of the Tangguh project – including the potential substantial impacts of the said project on local communities. Fried added that ADB's tangguh project lacks materials written in the Indonesian language. Thus, he requested the postponement of a board vote on the loan until full documentation in Bahasa is provided to local communities and Indonesian NGOs.

Moreover, Fried wrote that ADB's core calculus of risk for the said project and the focus for project evaluation do not appear to center on the project's impact on over 1,000 people who will be resettled to other places and the 40,000 people in the surrounding district.

Currently, ADB has been forced to weaken its safeguard standards to remain in the banking business. The approval of a high risk business endeavor, such as the Tangguh Gas Project, is a clear sign of ADB's weakening safeguard standards.

HW ■

- **The ADB is not in Demand:** The ADB is concerned about its stagnating lending and its "relevance" to its clients. This concern confirms the schizophrenia that the ADB suffers from: does ADB want to be a bank or a development agency? ADB cannot lower its standards to entice borrowers to take its loans. ADB should measure its success by the number of developing countries that no longer require its services, or by cultivating borrowers that welcome the highest social and environmental safeguards to promote poverty reduction and sustainable development.

There is a fundamental lack of accountability for safeguard compliance and achievement of safeguard policy objectives at the ADB. Although the ADB's accountability mechanisms have documented safeguard policy violations in many projects in different countries, areas of non-compliance — and the harm they caused local communities — have still not been satisfactorily addressed at either the project or systemic level. We urge the ADB to consider the potential of this review process to learn from the challenges of the past, and design systems for addressing and remedying problems in the future.

Staff at the MDBs consistently tell us that once the Bank approves a loan or guarantee, its leverage over borrowers is limited. ADB has rarely, if ever, sanctioned clients for failure to comply with safeguard policies during project implementation, even if the project's objectives are undermined by policy violations. Additionally, there are no sanctions for ADB management or staff who violate safeguard policy requirements and/or fail to ensure borrowers' compliance. It is also a problem that the ADB provides little or no incentives for management or staff to ensure safeguard policy compliance. Faced with this accountability deficit, there is no justification for ADB's proposed move to a more "flexible" or discretionary safeguard framework.

We hope that you will provide leadership to ensure the rights of the weakest and most marginalized citizens of ADB DMCs are not violated by ADB operations. We urge you to communicate the importance of strong social and environmental standards to ADB's management, staff and its borrowers and ensure accountability for policy implementation. ■

#### A Call for..., continued from Page 8

and equitable energy solutions for the Greater Mekong Subregion, rather than blindly pursuing solutions that are outdated, and environmentally and socially destructive.

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**The Editor, Bankwatch  
and send to the following email  
address:**

**[secretariat@forum-adb.org](mailto:secretariat@forum-adb.org)**

**We look forward to hearing from you!**

# ADB and World Bank, Quit Asia! Quit India! – People's Forum

*Call for Action issued on Friday, 24 February 2006*

## **Mobilize against the Asian Development Bank Annual Governors' Meeting**

**3-6 May 2006 Hyderabad**

The Asian Development Bank (ADB) is the third largest source of development finance in the Asia-Pacific region, next to the World Bank Group and the Japanese Government. Every year, ADB moves huge amounts of money across the Asia-Pacific region in a bid to foster rapid economic growth and market capitalism. In 2004, ADB's total lending was US \$ 5.3 billion which was used to promote 64 projects covering mostly road transport, communications, energy, law, economic management in the public policy sectors. Private sector assistance was to the tune of US \$ 807.2 million. ADB's largest borrowers in 2004 were China and India, each receiving US \$ 1.3 billion, about 24 percent of the total lending. India is the fourth largest shareholder in ADB.

Despite its name, the management and operations of ADB are greatly influenced by the USA and the non-Asian capitalist powers. Although, Japan enjoys the most powerful status in ADB, at par with the USA, the non-Asians are powerful enough to manipulate the institution's directions to suit their own interests. In promoting privatization and private sector investments, ADB routinely dole out lucrative contracts to favor international firms and consultants.

### **Destructive and unaccountable**

ADB is an extremely secretive, non-transparent and unaccountable institution, despite its rhetoric on good governance. Its founding Charter of Principles provides the bank and its staff with immunity from local and national laws. ADB is thus not legally liable to communities, governments or individuals for any wrongdoing, material harm or violation of rights.

Evaluation of ADB projects by independent researchers, citizen's groups, movements, NGOs and by its own Operations Evaluation Department indicate that most ADB supported projects are poorly designed, implemented and managed. ADB does not facilitate public participation in development planning and access to information while weakening local and national governance through undemocratic, non-transparent and non-consultative methods of project implementation. ADB projects have continued to displace hundreds of thousands of people across the region with little or no compensation, and have resulted in negative environmental and social impacts. ADB, is therefore, charged with creating "development refugees" and "manufacturing poverty" by the civil society organizations and movements.

ADB, like the World Bank, has become the custodian of private investment and the promoter and protector of corporate interests and profits. It follows the neo-liberal policy by imposing policy conditionalities – the reform agenda and privatization – on borrowing countries, and facilitates foreign companies to grab contracts for research work, consultancy, project development, construction and management.

### **India Incorporated!**

ADB, in its Country Strategy and Programme (CSP) for India, 2003-2006, claims that the 10th Plan strategy is a sound one and is similar to its own poverty reduction strategy founded on pro-poor growth, social development and good governance. India's strategy seems to fit well with the Bank's! The CSP further says that the most important role that India's development partners can play is in introducing international best practices to strengthen fiscal and other structural reforms in the 10th Plan. The Indian Government is playing second fiddle by indicating that it looks at ADB to play a leading catalytic role in supporting the next generation of policy reforms. Since India can no longer access concessional loans from ADB, high risk loans at market rates are taken for sectors focusing on high growth, reforms and private sector development.

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