

Bujagali's "Least Cost" Status Based on Inflated Price for Alternative

by Lori Pottinger

A confidential World Bank report grossly inflated the costs of a hydropower dam which was in direct competition with Bank-favored Bujagali Dam, according to *Development Today (DT)*, a magazine on Nordic and multilateral development aid.

The December 3, 2003 *DT* article states that the report, prepared by the Canadian firm Acres International for the Bank, estimated the cost for Karuma Dam (also proposed for the Nile River) as US\$200 million higher than the cost in project engineering documents prepared by Karuma's developers for the Ugandan government. By Acres' estimate, Karuma would cost \$216 million more than Bujagali. The Acres report used its own design concept to cost Karuma, rather than the more detailed (and cheaper) proposal prepared by Norpak Power, the Norwegian consortium that proposed to build Karuma.

Both Acres and the World Bank refused to comment on the cost discrepancy, either to *DT* or this publication.

Acres was hired by the Bank to analyze options for energy supply for Uganda. Its report, "Economic Review of the Bujagali

Hydroelectric Project," has never been publicly released, despite repeated calls by NGOs for its disclosure. *DT* obtained a leaked copy of the report. The Bank's Inspection Panel has stated that keeping the Acres report confidential was a violation of the Bank's own information disclosure policy.

The Acres report was a key document in the Bank's decision to support the Bujagali project in December 2001. "World Bank management has earlier described the Acres report as the most comprehensive option analysis undertaken to date for developing Uganda's power generation capacity," *DT* reports. Since Bujagali's approval at the World Bank, the project has been halted by corruption investigations and, more recently, by the withdrawal of the project developer. AES, the US company that was to develop Bujagali Dam, withdrew from the project last year.

Despite all the setbacks, the Bank remains firmly committed to developing Bujagali. In an August press release, Peter Woicke, head of the IFC, the Bank's private-investment arm, stated that the Bank will "support the implementation of Bujagali project in the context of a new public-private partnership."

According to the press release, "Bujagali remains the long-term, least-cost electricity supply option" for Uganda. Acres has reportedly been hired to do a quick revision of its earlier analysis as part of the project's "resurrection" at the Bank.

Although the Bank has stated to both *DT* and IRN that it is not involved in Bujagali at this time, leaked documents and some news reports confirm it is playing a key role in reviving the project. According to Africa Energy Intelligence news service, "Late last year the Bank sent experts to Kampala to meet with officials from firms interested in the venture, among them: CDC Capital Ventures; Industrial Promotion Services, the Aga Khan's investment arm; Electricity de France International; Eskom Enterprises, the international arm of the South African utility and Spain's Union Fenosa International." The article stated that the project "has attracted 10 bids which will now be examined by the World Bank."

NGOs have long claimed that Bujagali was never "least-cost" and have urged the Bank to examine other alternatives in a fair and open fashion. ■

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World Rivers Review

Volume 19, Number 1 / February 2004

Published by International Rivers Network

Dam-Building on the Roof of the World

Yunnan Province is Front-and-Center in China's Energy Development Plans

by Peter Riggs

Located at the eastern edge of the Tibetan plateau, with six of Asia's major rivers roaring through its deep canyons and narrow gorges, Yunnan province has assumed central importance in China's domestic energy supply plans. And no one could be happier about that than the provincial authorities in Yunnan's capital, Kunming.

Private companies and local leaders are now divvying up hydropower resources on the upper Yangtze, Mekong, Salween, Pearl, and Red Rivers. Cascades of dams are proposed for each – dams that will allow China to not only meet surging energy demand in its coastal provinces, but also to earn hard currency through direct links to power grids in Southeast Asia.

Kunming is currently a boom-town for hydropower interests. To develop these dams and the associated roads and power-line corridors, Yunnan provincial authorities are working to attract one billion dollars annually over the next decade from various public agencies and private financiers. Yunnan's pivotal geographic location – Kunming is closer to Bangkok or Dhaka than it is to Beijing or Hong Kong – allows authorities there to woo developers from around East Asia and as far away as India for cross-border projects. Yunnan figures prominently in a cross-boundary development strategy promoted by the Asian Development Bank, known as the "Greater Mekong Subregional" (GMS) program. Yunnan is also a key investment destination in China's ambitious "Great Western Development Plan."

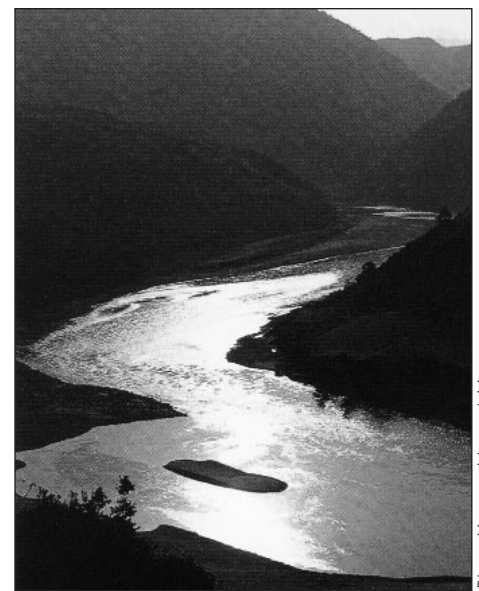
But not everyone is singing the praises of these development strategies. Chinese government authorities charged with environmental protection, a burgeoning civil society movement in China (see box, page 15), and downstream states worried about the potential impacts of China's dam-building on water supplies for their thirsty populations

are all now questioning the wisdom of China's plans to re-plumb its southwest.

Debate in the 1990s focused on the upper Mekong region. Now, however, the "new battleground" for hydropower development in Yunnan has shifted to the upper Salween – called the Nu River in China.

Until very recently, the decision to build a dam in China would have been made by administrative fiat. Public opinion or negative comments from the scientific community would not have swayed the decision. Now, however, those committed to building dams in the upper Salween River appear conscious of the need to mobilize public support for this grandiose development scheme. With the blessing and encouragement of provincial authorities, the pro-dam State Development Reform Commission hand-picked a group of scientists and bureaucrats to review their development plans for the Salween. Yunnan Province convened a similarly one-sided group to advance its agenda. The resulting report, showing "strong support" for moving ahead with the hydropower strategy, was splashed over the pages of the national and provincial press.

China's State Environmental Protection Agency (SEPA) had previously criticized as short-sighted the decision to inundate much of that watershed for the sake of hydropower dams, and indeed SEPA had wanted to reserve the upper Salween as one of two "no-go areas" for dam-builders. To counter the dam-builders' public relations offensive, SEPA invited 20 different experts to attempt to persuade the provincial government not to move ahead with the proposed cascade of 13 dams. SEPA highlighted the upper Salween's designation as a "World Heritage Site" by the United Nations, and the attempts underway by local governments, budding ecotourism companies, and Chinese NGOs to build a sustainable economy based on the natural, pristine beauty of the upper



The upper Salween River.

Photo: Yunnan Natural Museum

Salween watershed. As one commentator remarked, "The upper Salween already has a first-class development strategy in place based on the World Heritage principles. Why do they want to downgrade that strategy to coach class?"

In the end, more than 20 scientists signed and published a statement voicing their disagreement with the decision to transform the upper Salween for power production purposes. These scientists privately noted that they had subsequently been "disinvited" from provincial-level energy development planning meetings.

The open disagreement between central government ministries regarding economic development priorities would have been unthinkable even a few years ago. It also suggests a new "interest-group" epoch in Chinese policy-making, where the mobilization of scientific and public opinion is taken seriously by each side in a dispute.

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Recently I found myself speaking in San Francisco before two smart and eager audiences. Both hungered for a detailed critique of water issues worldwide, an analysis of progress in protecting rivers and human rights, and a discussion about the current upsurge in World Bank support for large-scale dam projects. What made these audiences unusual is what brought them together. It wasn't activism alone. It was activism and art.

At Intersection for the Arts, a gallery and performance space in San Francisco's Mission District, the audience that packed the theater first contemplated resident artist Claudia Bernardi's dark and seductive installation "Agua y Tiempo/Water and Time." The work primed more than the audience's intellect; it stirred emotions, allowed memories to flow, and feelings to surface. Experiencing the work myself the week prior had changed my thinking about what to say and how to say it. There was more than the thirst of people and crops to discuss; more than the sobering numbers referred to in the next venue of the day as "The Grim Arithmetic of Water"; certainly more than the desolating and incomprehensible litany of destructive policies and practices of the World Bank. We would get to all of that. But first there was water and memory to ponder. Heavy drops of rain slapping the sidewalk. The quiet authority of fog. Time frozen in an icicle. The impossible perfection of a single snowflake.

Memories make us human, remind us that we understand water in its many forms, deeply and personally. By instinct we know that water is not a commodity for sale, a possession to be owned, a luxury for the privileged. It is a mark of our humanity that it is unnecessary for us to debate the basic human right of access to clean water. We simply know this to be the case.

Claudia Bernardi and Intersection for the Arts director Kevin Chen thought an afternoon presentation from IRN would work well with the Water and Time installation. Bernardi's work has long been devoted to human rights. As a forensic anthropologist, she digs out the truth buried at the bottom of mass graves. Through her art, she raises dignity from a well of fear and hatred.

Across town, choreographer Jo Kreiter had the idea of teaming a symposium on water scarcity with her full-length work "The Grim Arithmetic of Water," danced by Flyaway Productions. The panel considered the spiritual nature of water just as it explored water privatization plans, and the specifics of our worldwide failure to distribute water resources both conservatively and equitably. The talking was good. But it was the combination of the talking with the art of the dance that was great.

"We have tried to distill the complexity of water politics into a singular, recognizable human experience," says Kreiter. "We have opened ourselves to states of thirst and deprivation that are, in the end, an unnecessary result of water's misuse. Tonight, we illuminate thirst, so that we might cultivate just a little more commitment to a water ethic that embraces sustainability for everyone."

And so, in addition to their art as dancers, they did what all good activists do: they set about their research. What they learned about water privatization, bucket pumps, soil salinization, poisoned rivers and disappearing streams became what they danced. The pumps were there, as was the salt and the poison and the relentless human thirst. All of it was there in the dance, driven by the muscle and height of Jewlia Eisenberg's music.

Art and activism have a long and distinguished partnership worldwide. Closer to home, at IRN, poet Robert Hass is an active board member. He co-founded the River of Words (ROW) poetry and art project. ROW, once housed at IRN, and now independent and successful under the ongoing direction of Pamela Michael, introduces children to rivers and watersheds through their own creation of poetry and visual art.

Last year Hass and fellow poet Gary Snyder together with members of the IRN staff and a group of supporters, rafted the south fork of the American River. Sitting on the river's bank at mid-day, Hass and Snyder read works in progress. The river had been good. The company had been good. But it was the river, and the company, and the poetry together that made the day one for the heart.

The coming together of art and activism happens not as a result of some higher level of coordination, say a "World Water and Art Day." It happens because artists understand that water speaks to them and that they can and should speak on its behalf as artists and activists. IRN and the world need both activism and art for our work to survive and flourish.

Juliette Majot

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The Incredible Shrinking Bakun Dam

Project in Search of a Purpose May be Downsized

by Shamila Ariffin

The Malaysian government may be forced to scale back the proposed Bakun hydroelectric dam due to insufficient demand for its energy, a local financial newspaper reported in January. The project's capacity could be cut in half, down from 2,400 megawatts, according to reports in *The Edge*. The news follows the recent collapse of a joint venture deal to build an aluminum smelter to consume up to 1,000 MW of Bakun's power. This collapse leaves no firm market for the dam's electricity and demonstrates the project's fundamental flaw: that there is not enough demand for the amount of power the dam is proposed to generate.

The US\$2.4 billion Bakun Dam, one of the highest rockfill dams in the world, began life in the 1980s as an inexplicable megadream of former Malaysian Prime Minister Dr. Mahathir Mohamad. The project may have worked as a grand political gesture – and as a way to siphon big money to politically connected elites – but Malaysian activists have long countered that it is not an appropriate response to the nation's energy problems. Today, the project is surviving only with federal life-support, after various funders and private-sector developers have abandoned the project over the years.

Grand Plans, No Demand

Back in the 1980s and '90s, the idea was to send more than 80% of Bakun's power to the more densely populated and urban Peninsular Malaysia, via the world's longest submarine cables. The cables were to cross 600 km of the South China Sea, would have cost twice as much as the dam itself, and would have resulted in serious transmission losses and maintenance issues. But technical problems aside, the dam was in fact overkill from the start: it was no secret that the Peninsula was going to have a healthy reserve margin in the years to come. This fact remains true today.

Since its inception, the project has been extremely vulnerable to any economic downturn. It was shelved twice (in 1987 and 1993), downsized to a fifth of its proposed capacity following the Asian financial crisis in 1997, and revived to its original capacity of 2,400 MW in 2001, minus the submarine cables.

The revival sparked more outcry – the idea of dumping the 2,400 MW in Sarawak

“Who would invest in such a project? Who is paying for this project's missteps?”

(population two million), which has a high percentage of scattered indigenous communities, defied logic. Such a move would have entailed the energy reserve margin of Sarawak shooting up by more than 100%.

Major Impacts

The dam will flood approximately 70,000 hectares of fertile farmland and the most diverse and oldest rainforest in the world, causing untold environmental impacts to the country's longest river and its surrounding ecosystems and communities. Forcible resettlement has already begun, even though the dam is not a “done deal.” More than 10,000 indigenous people were evicted from their ancestral lands in 1999, after the dam had been shelved “indefinitely.” They are living under miserable conditions at Sungai Asap, a government-sponsored resettlement site. Tens of thousands more living downstream have been excluded from the planning process and face serious impacts to their livelihoods.

As of today, seven individuals representing five of the affected indigenous communities have filed a civil suit against the Sarawak State Government. The suit challenges the extinguishment of their Native Customary Rights for the dam and states that the exercise violates their constitutional rights to life, equality and ownership of land, as well as their rights as indigenous peoples of Malaysia.

Considering the numerous outstanding compensation and resettlement problems faced by the people who have already been involuntarily relocated, stopping the project is the best option to minimize further harm.

Build It and They Will Come

Bakun has always been a project in need of a purpose, and it was in this context that the smelter Dubai Aluminium Co (Dubal) came into the picture in August 2002, invited to consume around 1,000 MW of the dam's redundant power. The result of this proposal

was Smelter Asia, a joint venture project between Dubal and the Gulf International Investment Group (GIIG), a group controlled by local tycoon Syed Mokhtar Albukhary. It is worth noting that in 2003, GIIG also entered into an agreement with project owner Sarawak Hidro, a company fully owned by the Malaysian Government, to purchase a 60% stake in the dam. However, this arrangement fell apart in January since the group had reportedly failed to raise sufficient funds on time.

By October 2003, Smelter Asia was reported to have sealed its Power Purchase Agreement (PPA) with the project, securing a tariff rate of 1.8 cents per kilowatt-hour (a rate far below that which local utilities had been offered). Concerned groups quickly pointed out the huge risks involved in having Bakun rely on a single smelter to absorb over 40% of the dam's capacity, to produce twice the nation's demand for aluminum.

“Was there ever a proper assessment of the market viability of the project?” asks Dr Kua Kia Soong, Director of the Malaysian human rights group SUARAM, “Aluminum is being produced in China at half the world prices. With the new trade agreements, Malaysia won't be able to impose any trade restrictions on cheap aluminum from China. Who would invest in such a project? Who is paying for this project's missteps?”

In a surprise move, Dubal withdrew from the project in December “due to changes in its investment policy.” GIIG was in the midst of taking over the ownership and development of Bakun. However, it is not known whether GIIG will proceed with this plan given Dubal's withdrawal. The move could be a huge upset for the head of GIIG's plans to become one of the biggest aluminum and power producers in the region. The project is already behind schedule by six months.

The withdrawal of Dubal leaves the Malaysian government as the project's only supporter. Yet comments indicate it will proceed, if perhaps with a smaller project, rather than rethink this white elephant.

To many, such an argument makes as much sense as to continue cooking and adding ingredients after we have already spoiled the soup. ■

The author is with Sahabat Alam Malaysia (Friends of the Earth-Malaysia).

Power to the People

Group Brings New Voices to Africa's Energy Debate

by Sarah Ward

South Africa was, for far too long, a nation where the color of your skin determined just about everything about your life, from where you lived to whether or not your family got electricity and water delivered to your house. All that began to change with the end of apartheid, and today a number of groups are working to level the playing field of electricity services for the poor. One important part of the equation is to change who is making decisions about energy services. A society as diverse as South Africa's needs diversity (gender, color, type of skills, class) in who is determining what services are designed and how they are delivered, to ensure a fair and just system.

Choices about energy use in South Africa, historically the realm of white male engineers, was anything but just and fair in the past. The profession historically focused almost entirely on supply (e.g., building nuclear and coal-fired power plants) with very little attention given to understanding energy poverty, environmental issues associated with energy use, or the demand side of the equation – the energy-service needs for all citizens and sectors. Understanding demand in energy planning is critical to finding more appropriate – and energy efficient – solutions. For example, people need warm houses. You can either make coal or electricity available for home heating (a supply-side solution) – or make energy efficient housing (a demand-side solution). In South Africa, Sustainable Energy Africa (SEA) is working to broaden who is working on energy and to change the current priorities in energy work and how that work is done.

One of Sustainable Energy Africa's main programs is called Sustainable Energy for Environment and Development or SEED. The goal of this six-year-old program is to integrate sustainable energy practices and approaches into urban development in South Africa. To change the "who" part of the nation's energy equation, SEED is training young black South Africans as SEED Advisors – they bring their political and personal experience and valuable skills to the previously very closed energy field. To refocus the "what and how," SEED forms partnerships with local government and NGOs working in energy delivery which then employ the SEED Advisors in their organizations – where they, with SEED support, work on "energizing" the organizations. This means raising a group's aware-

ness of and ability to address energy issues: most organizations are oblivious of the fact that everything they do has an energy dimension. Depending on the group's needs, advisors might be involved in lobbying, training, policy and project implementation.

Planting the Seed

In the heady days after the first democratic elections in South Africa, there was great enthusiasm to take on the challenge of fundamentally changing South Africa.

The Women's Energy Group (an activist organization) and a university based energy research unit worked on the new Energy White Paper to ensure that poor households (and the burden of energy poverty), gender issues and many environmental issues were considered in energy policy. An explicitly demand-side approach was followed and renewable energy and energy efficiency were key features of the document. The progressive content of the discussion document did not all make it into the final white paper, but it was a significant step forward – it is a long road to change the energy profile of a country which has the fifth biggest electricity utility in the world in the 35th biggest economy (measured on GDP). SEED is part of the process of making the change – building the confidence and skills of delivery organizations so that they can make sound energy decisions.

Then in 1995, 100 outspoken and confident community representatives attended the first National Energy Summit. Nearly all were black, and more than half were women. During this process, community representatives repeatedly prioritized two issues: the need for access to appropriate energy information, and the need for capacity to address energy needs at the local level. This laid the foundations for SEED.

SEED develops partnerships with both local authorities and housing and environmental NGOs, helping to bring the expertise of both parties to the table. In addition to placing SEED-trained energy and environment advisors in these partner organiza-



Township housing in Soweto. Energy can consume more than 25% of a poor urban household's income.

Photo: Jeanette Madden

tions, SEED supports local and national-level governments with energy audits of council buildings, setting city baselines for carbon emissions, technical expertise on policy issues, and research. SEED offers national training courses on sustainable energy and low cost housing development.

SEED advisors are the backbone of SEED. They are generally young black South Africans, usually with college degrees and a pioneering spirit. They work in the partner organizations and are chosen by the partners and SEA. SEED provides ongoing support to the advisor for on-the-job learning as well as regular workshops for the exchange of experience. SEED extends this support and training to the partner organization in which the advisor is located. In a pioneering field such as this, support and the exchange of all experience is vital. The advisors have shown admirable commitment, and are extremely strategic in their approach to their work. The advisors' supervisors are senior managers in their organizations and play a vital role in integrating the work of the advisor throughout the group's work.

SEED advisors work on a variety of projects depending on the needs of their particular organization. For example, some advisors work with community members at the household level and run workshops promoting participation around energy and environmental issues in housing development projects. They have trained youth members of the community in "energy activist" courses, set up demonstration centers in town-

continued opposite

ships and built demonstration houses. They train building inspectors and run courses for teachers and community representatives. Some of the advisors are now working at a strategy planning level and managing other staff. Advisors have set up projects on women food traders and energy management; solar water heaters for low-cost housing, children's nursery schools and other facilities; micro-loan schemes targeting green interventions (e.g., installing insulation and ceilings in low-income housing).

City energy strategies

When SEED began in 1998, energy issues were mostly invisible for local government, so our early focus was on energy in low-income housing development, as this was the country's poverty alleviation focus at the national and local level. SEED's basic tenets were learn by doing; communicate those lessons to decision makers in parliament, the national and local government; and every action should have large reverberations. Three years later, energy being much less hidden and becoming an important part of local government agendas, SEED began to extend its work into integrated energy planning for whole cities.

South African cities are busy implementing many and varied energy projects, from electrification to public transport planning, from local-authority fleet management to

industrial emissions control. Some cities in the developed world have prepared integrated energy plans for their cities which involve coordinating efforts and prioritizing activities according to a guiding vision and goals. SEED is now working with the City of Cape Town to develop the first integrated city energy strategy in all of Africa. This strategy is informed by the City's overall vision and goals of poverty alleviation and economic development, environmental integrity and climate change mitigation. This is a flagship strategy and SEED will be working to spread this approach to other cities and towns in South Africa.

As part of that effort, SEED recently held a 3-day conference, the City Energy Strategies Conference, in Cape Town. Aimed at local authority politicians and officials in particular, this inspirational conference brought together examples of city energy strategy work and energy projects from around the world. Case studies from cities such as Mexico City, Portland, Oregon and Barcelona demonstrated the importance of city energy strategies and how they are fundamental to a city development strategy. The conference equipped cities with the tools to formulate and implement their own strategies.

The excitement generated by the conference was overwhelming. "The international experiences shared at the conference gave me hope that something can be done," said Pak-

iso Mathebula of the Gauteng Premier's Office. And Mark Swilling of the Sustainability Institute called it "a historical turning point in the history of the South African City."

As a next step, SEA – with the support of the International Council for Local Environmental Initiatives (ICLEI) and UNEP – is proposing an African Cities Energy Network as a means for African cities to share and learn from each other's experience. The first meeting of this network was held immediately after the Cape Town conference, and the concept was presented at the Africities Conference in December in Cameroon.

The SEED Programme is set to extend to a number of new cities in South Africa this year and, with the support of the African Cities Energy Network, its experience will hopefully begin to benefit cities across Africa. Cities can be powerful leaders in striving for sustainable development, and in many cases have taken on this power and are leading by example. As UNEP has stated, "Although it was national governments that signed the Climate Change Convention, the real global leadership for energy conservation and reducing carbon emissions is coming from municipal leaders." ■

The author is with Sustainable Energy Africa. She is also the author of The Energy Book (see page 14 for a review). Visit the group's website at www.sustainable.org.za

A Fresh Breeze Stirs World of Wind Power

by Elizabeth Sabel

A newly completed wind-power project, located in the hills north of California's capitol, Sacramento, exemplifies the progress wind energy has made since the first generation of wind farms were established in the early 1980s. The 90 turbines at the High Winds Energy Center are larger, sturdier, and more efficient than their predecessors, resulting in 20 times greater energy production capacity. Renewable energy advocates hope that wind farms like High Winds will help make wind energy a stronger competitor to non-renewable energy sources in the US energy market.

High Winds' turbines are more than 300 feet tall, have 125-foot blades, and can each generate 1.8 megawatts. The total generating capacity of High Winds is enough to power 75,000 homes, according to the company that owns the wind farm, FPL Energy.

Unlike older turbines, those used at High Winds can rotate to capture wind coming from any direction, and the larger blades can capture slower winds (down to 8mph). The

blades on the newer turbines also spin at a slower speed, which helps prevent birds from getting caught in them – a problem that has plagued earlier versions of wind turbines (and has resulted in a lawsuit for another Northern California wind farm, at Altamont Pass).

The new turbines can produce more energy using less land, making it easier for them to be integrated into the surrounding community. The ranch owners in the area around High Winds can still use most of their land for traditional ranching activities, while getting the added benefit of annual lease payments of \$2,500 to \$4,000 per turbine from FPL Energy.

Small is Also Beautiful

Much smaller in size but potentially as significant in the advancement of wind energy are new "mini-turbines" being launched in a pilot program in Britain. These turbines are intended to be used as supplemental energy generators for homes and offices.

Windsave, the Scottish company that created the turbines, says a single turbine can

provide 15% of a household's electricity. The generating capacity of an individual unit is 750 watts and is intended to power low-energy-use items such as lights and small appliances. They can generate energy with wind speeds as low as three miles per hour but are most efficient when the wind speed reaches 20 mph, which is fairly common in Britain.

The turbines are housed in a 3-by-2-foot sealed box that is designed to fit on a roof or outside wall. Besides their compact size, they have several other advantages over earlier versions of domestic wind turbines: they do not require batteries to store electricity, they operate quietly, and are affordable (a unit costs US\$1,374) The company claims a unit could pay for itself in as little as three years.

Windsave will receive subsidies from the British government for both the installation of the units and for "renewable obligation charges," a subsidy paid to green electricity providers. ■

Sources: Sunday Gazette, The Guardian

Hydropower Group Sidesteps WCD Guidelines

by Patrick McCully

The International Hydropower Association has released a set of “Sustainability Guidelines” with the stated aim of promoting “greater consideration of environmental, social and economic sustainability in the assessment of new hydro projects and the management and operation of existing power schemes.” The guidelines were formally adopted in November by the IHA’s governing council.

The development of the guidelines has been driven by the more progressive element within the IHA, which encompasses nearly 1,000 individual and corporate members in 80 countries. This faction recognizes that the hydropower industry will jeopardize its own long-term survival if it continues with business-as-usual, especially in terms of the treatment of affected people and the environment. Yet these new guidelines still very much reflect the strong pro-hydro bias of an association that exists to promote large hydropower.

The 23-page booklet of guidelines lists a set of “key criteria” to be used in comparing different energy options, and another set to be used to compare different hydro options. They lay out principles for environmental assessments, dam safety, “managing social impacts,” and the allocation of benefits; and include self-rated scorecards to determine if a dam passes the guidelines. Like most “codes of conduct” proposed by industry associations, the IHA’s guidelines are voluntary and lack any consequences for IHA members who ignore them.

The guidelines can be read as an attempt by the IHA to dissuade governments and international funders from enforcing the much tougher standards proposed by the World Commission on Dams (WCD).

While some industry associations and governments have totally rejected the WCD’s report, the IHA is more measured in its response. While there is “disagreement on some aspects relating to [the WCD’s] detailed recommendations,” the guidelines state, “there is clear acceptance of the Core Values listed in [the WCD] Report: equity, efficiency, participatory decision-making, sustainability, and accountability. In addition, there is broad agreement on the objectives of the WCD’s Strategic Priorities.” The Strategic Priorities are: gaining public acceptance, assessing options, addressing existing dams, sustaining rivers and livelihoods, recognizing entitlements and sharing benefits,

ensuring compliance, and sharing rivers for peace, development and security.

The IHA’s acceptance of the WCD’s Core Values and the “objectives of the WCD’s Strategic Priorities” is to be welcomed. However, the Sustainability Guidelines do not endorse the WCD’s criteria and guidelines for applying the Strategic Priorities. By developing their own criteria for applying the values and priorities – criteria which are designed with the interests of dam builders in mind much more than rivers, dam-affected people or the wider public – the IHA could render meaningless the WCD priorities it claims to espouse.

Missing the Point

Much language in the IHA’s guidelines is similar to that in the WCD’s recommendations. But while the WCD espouses an approach based on legally binding criteria, the IHA’s criteria are mainly aspirational and dependent on the goodwill of enlightened develop-

ers. The guidelines ignore many of the key concepts through which the WCD sought to redress the all-important imbalance of power between affected communities and project proponents. Experience has shown that “consultation” and “ensuring access to information” are of little help to affected communities if at the end of the decision-making process the proponents can force communities to move at the point of a gun.

The IHA guidelines make no mention of the principle of prior informed consent for indigenous communities, as espoused by the WCD; and no mention of the WCD’s recognition that potentially affected communities need access to adequate resources, including legal and other professional support, and sufficient time to examine proposals and consult among themselves (the IHA notes only that potentially affected “stakeholders” should be “provided with the opportunity to be represented” during project development).

continued opposite

Take Action for Rivers on March 14!

Last year on the sixth annual International Day of Action Against Dams and For Rivers, Water and Life, thousands of people from around the world took action to protect living rivers and protest projects that would harm them. They blocked traffic to protest devastation of their rivers, scaled peaks to stop dams, organized educational river trips and held rituals to celebrate their sacred waters. This year’s Day of Action is just around the corner, and

we invite you to join the growing ranks of celebrants and take a stand for healthy rivers.

Because 2004 marks the 60th anniversary of the World Bank, participants are also encouraged to celebrate a day of action themed around the World Bank’s role in promoting large dams and other projects and policies that harm rivers. The World Bank, long a major backer of destructive dam projects, has announced plans to re-engage in so-called “high risk/high reward” projects – in other words, large dams. While the Bank renews its efforts to promote high-risk projects and privatization of public utilities, the social and environmental legacy of many previous projects and programs remains unresolved.

International Rivers Network hopes you will join this effort, and asks you to let us know about your plans.

For more information, visit www.irn.org/dayofaction, or write dayofaction@irn.org.



The WCD notes the use of coercion and intimidation against affected communities and stresses the need for all project proponents – public and private – “to commit to the strict prohibition of such acts of intimidation.” The IHA makes no such commitment.

The basic conceptual framework behind the WCD’s recommendations is based on negotiated settlements with affected parties at every important stage of project decision-making through “recognition of rights and assessment of risks.” The IHA advocates that “a negotiated and agreed outcome [should be] achieved” with affected communities – but only once the companies and government agencies involved have decided that the dam shall be built and the community evicted, and only “wherever possible,” presumably leaving the project promoters to decide when this is possible.

While for the WCD, gaining public acceptance is a key principle in the decision-making process, for the IHA “community acceptance” is hoped for, but only because it “will greatly assist in the successful implementation” of the project.

Hyping Hydro

A lobby group for a particular technology cannot be expected to propose an unbiased methodology for technology choice. And with trillions of dollars in energy infrastructure spending in play, the IHA’s new guidelines propose a list of criteria for comparing energy options that, once one understands the premises behind them, are almost comically slanted toward the selection of hydropower. These criteria include:

“Assess the options in terms of resource depletion.”

Explanation: A neutral reader may observe that large hydropower depletes rivers, fisheries, forests, farmlands, wetlands, estuaries, etc. The IHA, however, does not believe this and sees “resource depletion” as meaning only the burning of fossil fuels. “Renewable energy options [the IHA considers all hydropower to be renewable] do not directly consume finite resources,” states the report. So in the opinion of the IHA this criterion will always benefit hydropower over any fossil fuel choice.

“Assess the options in terms of appropriateness of the technology, levels of efficiency and service required.”

Explanation: Hydro turbines are extremely efficient at converting the potential energy in water into electrical energy, and the IHA makes much of this fact. Yet comparing so-called “conversion efficiencies” across energy technologies is almost totally irrelevant. The fact that a gas plant has a higher conversion efficiency than a solar cell tells you

Hydropower Wins Big on IHA Scorecards

The new IHA sustainability guidelines include scorecards that dam-builders fill out to determine if their project passes muster. Here we take a lighthearted look at this method of evaluating dam projects.

Give yourself five points for each check. Remember, there are no “wrong answers” – just respond to the best of your ability.

- ✓ Does the project include a really big dam?
- ✓ Does the project create a new “lake” that can be used for water sports?
- ✓ Does it enjoy broad social acceptance among engineers, government elites and international financial institutions?
- ✓ Are the environmental impacts really, really minimal compared to burning old tires in an open pit?
(N.B.: the impacts of flooding arable land are 100% offset by creating new opportunities for water sports)

nothing about the technologies’ relative environmental impacts, costs, production levels or other issues important when comparing energy options.

“Assess the options in terms of additional or multiple use benefits.”

Explanation: The IHA frequently uses the argument that hydro is superior to other options because dams can have multiple benefits such providing water for drinking and irrigation, flood protection, water-based transport, recreation, fisheries, etc. But experience shows that these multiple uses are often conflicting, their scale regularly exaggerated by dam proponents, and where needed usually can be provided more effectively and efficiently through other methods. In the case of floods, hydropower has on balance likely made the problem worse, although increased flood damage risk is rarely, if ever, accounted for in hydro feasibility studies.

In its criteria for judging energy options, the IHA ignores other important criteria at which hydro often compares very poorly, such as cultural heritage losses, the spread of waterborne diseases, deltaic and coastline erosion, and financial viability. The most striking omission is that there are no criteria for assessing different options which address forced displacement or the other well-known social impacts of dams.

Score!

The guidelines come with a complementary document entitled “Guidance Notes on Compliance with IHA Sustainability Guidelines,” but this in fact says nothing about compliance. It is instead a set of scorecards

for developers to use to come up with numerical rankings for their projects. The scorecards are even more slanted toward hydro than the Sustainability Guidelines and largely useless for decision-making purposes (other than perhaps having some PR value for project proponents).

One key problem with the scorecards (besides the fact that project developers fill them out themselves) is their lack of any weighting between different issues. A hydro developer filling in a scorecard may conceivably be honest enough to give themselves a zero for “significant broad-based opposition,” and another for “significant and unsolvable threats to vulnerable social groups.” But the developer can cancel out the advantage this may give to say a wind farm by earning a perfect 5 for both “efficiency of option,” and for “energy payback ratio.”

Despite all their flaws, the sustainability guidelines do lay out a number of recommendations which, if followed, would be substantially better than existing industry practice, and they do show that the industry is to some extent responding to its critics. But guidelines developed by the International Hydropower Association cannot in any way have the credibility of, or supersede, comprehensive recommendations developed by a group with buy-in from all sides in the dams controversy. The World Commission on Dams recommendations must remain the standard which the industry has to follow. ■

The Hydropower Sustainability Guidelines are available at www.hydropower.org

A CONFLUENCE OF RIVER ACTIVISTS:

In a bustling bamboo village built by people displaced by Thailand's Rasi Salai Dam, some 300 dam-affected community leaders and their allies gathered by the shores of the Mun River at the end of 2003 to share their experiences on large dam projects and to discuss less destructive ways to meet water and energy needs. Rivers for Life, the second international meeting of dam-affected people and their allies, took place in Rasi Salai over five days. These pages offer a sample of words and images from this memorable event.

Sabad Chai drummers from Chiang Mai welcomed participants at the opening ceremony. Sabad Chai drumming is a traditional Thai way of calling people to struggle.

Rajendra Singh, leading rainwater harvesting activist in India:

Now that water is scarce, saving water is a matter of pride. Our war is not only against dams, our war is for the needs of the people, our war is against the 10% who control resources and keep them away from the people.



Helio Mecca, Brazilian Movement of Dam-Affected People (M

We don't believe in Santa Claus or that anyone else will save us. If anyone it is going to be ourselves and a revolution doesn't need bullets, we the way people think about these



Jorge Urusoff, affected by Yacyretá Dam, Paraguay

The construction of Yacyretá began 28 years ago. For this reason, our people are on the ground, in misery, desperate and dying of stress... We've blockaded routes, occupied company offices, been on hunger strikes. We've reached a state of civil disobedience, a resistance mechanism where we have nothing to do with authorities, refusing to pay taxes or go to work in public offices... This type of alliance with groups from around the world gives us hope that our people, when they hear about this meeting, will be encouraged to continue their fight.

Anna Moepi, Lesotho, affected by Lesotho Highlands Water Project, which transfers water from Lesotho to South Africa.



What use is a cow without drinking its milk? Lesotho has sold its cow and its milk to South Africa, and are not getting any benefit. Our communities say the treaty [which sends all water from Lesotho's dam project to South Africa] needs to be renegotiated so we can have access to the water for consumption and irrigation, and also for electricity.



As part of the closing ceremony, participants from each country sent a boat down the Mun River with a message expressing their wishes for the future.

Visit www.irn.org/riversforlife for more detailed information on the meeting; email us at aviva@irn.org if you'd like to receive a copy of the meeting proceedings.

HIGHLIGHTS FROM RIVERS FOR LIFE



Ram Chandra Chattaut, Anti-Pancheshwar Dam Action Committee, Nepal

When some equipment was brought to the dam site, the affected people evicted the tents of the employees and also threw away their equipment...The people are determined not to allow the dam, and they are willing to give their lives to stop it, because Mahakali is Ganga, as it is known in Nepal.



Bhagwan Mukati, affected by Maheshwar Dam, India

The government cannot rehabilitate us – it has no land to offer. And we can't accept cash compensation, because the cash, whether it is gold or silver, cannot be eaten. The basic issue is that the land and agriculture is the core of economy in India, but also all across the world. The human population cannot survive unless there is food to eat, because no one eats gold or silver, as yet.



Berta Caceres Flores, Lenca indigenous woman, Honduras

I think that to permit construction of dams would mean losing part of the heart of the Lenca people, because it is with our blood that we have achieved the communal titling of our lands. It would also mean losing the ancestral community structure of the Lenca people – our history, and our collective memory.

Rasi Salai villagers worked for weeks before the meeting to construct the entire site by hand, including the main hall, bathrooms and sleeping huts. The site will be used by the community as a School of River Ecology to educate young people about the river-based livelihoods of the people of northeastern Thailand.



Excerpt from the Rasi Salai Declaration

The Inspiration of Rasi Salai

We, more than 300 people from 62 countries throughout the world, peoples affected by dams, fighters against destructive dams, and activists for sustainable and equitable water and energy management, have met on land that is being restored to life after being flooded by a dam. The gates of the dam are now open, the river flows, the crops have ripened, the fish are starting to return, community life is becoming vibrant once more. The dam-affected people of Thailand offer to us and to all peoples an example of determination and struggle to preserve lives, rivers, territories, culture, and identities.

Our Achievements

Since Curitiba [the first meeting of dam-affected people, held in 1997] we have made significant progress in our struggles. In the valleys, mobilisation and direct action of affected peoples has challenged the dam industry, governments, and financial institutions. The international movement against destructive dams has shown its ability to challenge the industry in the technical, political and moral spheres. We have stopped and decommissioned some dams. In some areas we have achieved recognition of the right to just reparation.

Affected and threatened peoples and allies have exercised decisive participation in decision-making processes, and in determining our own futures.

We are successfully implementing socially and environmentally just and effective community-based water management. We support the rapid advances in new renewable energy technologies and methods of demand-side management.

This extraordinary growth in our struggle is also made possible by ever stronger ties between indigenous peoples, grassroots movements and NGOs, and between Southern and Northern civil society. We have also joined in solidarity with the global struggle against neoliberalism and for a just and equitable world.

Lessons Unlearned?

The Case of India's Allain Duhangan Dam and the World Bank

by Himanshu Thakkar

The World Bank has declared its intentions of again funding large dams, as part of its “high risk/high reward” Water Sector Strategy. After a gap of more than a decade when the institution was forced to pull out of the disastrous Sardar Sarovar Project, the Bank is again looking to build big hydro projects in India. The proponents of this decision claim that the Bank has learned its lessons and incorporated them into its policies and practices. Here we take a close look at how the Bank’s private sector arm, the International Finance Corporation (IFC), has behaved so far in its involvement in the proposed 192-MW Allain Duhangan Hydropower Project (ADHP), to be built in Himachal Pradesh in North India.

The ADHP would divert the Allain and Duhangan rivers, two tributaries of the Beas River near Manali, in what the project Environment Social Impact Assessment (ESIA) calls a “pristine valley.” Under the current circumstances, the project would neither be beneficial for the local people nor for the state. The project – whose need, benefits and hydrology are in doubt – would also lead to the destruction of habitat for a number of threatened, rare and endangered species. At this point, basic impact assessments have not yet been done, local people have not been informed about the implications of the project, the project’s environmental documents have not been given to the local people in their language, and there is no thorough assessment of the project’s full social impacts. The project does not meet India’s current environmental standards, as its environmental impact assessment was done in 1993. The project is thus in violation of many of the basic norms and policies of the World Bank and IFC.

Despite this sorry scenario, the World Bank decided to put the project before its board for a vote on October 31, 2003. At this time, the local people had not been given the ESIA in their language, nor had there been any sort of public consultation on the project (although the IFC falsely claimed that a public consultation was held last May).

Following protest letters from affected people and NGOs to the Bank’s Executive Directors, the project was withdrawn from



Photo: SANDRR

Local women protest the Allain Duhangan Dam at the public hearing; their signs say that the full ESIA should be made public, that IFC people are frauds and company people should go away.

the Board at that time. However, a November meeting at the project site began with IFC and company officials trying to browbeat and mislead affected people who had signed the letter to the Bank. But the affected people stood by their demands for full disclosure and a public hearing, and the IFC had to agree.

A Rush Job

The half-hearted nature of the IFC’s efforts to engage local people became evident when only a small part of the ESIA documentation was made available to the local people in Hindi and a public hearing was hurriedly planned for a mere two weeks after the release of the documents. Although affected people expressed dissatisfaction with this scenario through numerous letters to the IFC, their pleas fell on deaf ears. Finally on January 6, 2004, people came to the so-called public hearing in large numbers and made it clear to IFC that the circumstances were unacceptable. IFC and the Rajasthan Spinning and Weaving Mills Ltd (RSWML) – the company that is to build, own and operate the project for 40 years – had to accept that Hindi translation of the full ESIA will be made available to the local

people and a public hearing will be held a month thereafter. Women were particularly vociferous at the meeting about their opposition to the project.

The January “public hearing” exposed a number of falsehoods being propagated by the company and IFC. For example, the IFC’s Yasmin Tayyab claimed in a Dec. 12 letter to local people and NGOs that “the Company obtained ‘no objection certificates’ from the local governments of Prini and Jagat Sukh villages in March 1997.” However, at the meeting it became clear that the village *Panchayat* (village level local governance unit) of Jagatsukh had not given a No Objection Certificate for the project. It also became clear that there has been no participation of the local people in the formulation of the ESIA.

In the meantime, in a high-handed manner typical of IFC, Tayyab’s letter claimed, “no major civil works construction has yet been undertaken by RSWML.” However, local people revealed that the claims were false. On Dec. 6, 2003, some women were working in their fields near Prini village when suddenly large boulders came crashing down around them, endangering their lives.

continued opposite

Dam Industry's Take on Sardar Sarovar: Definitely Not the Whole Truth

The world's biggest dam industry association, the International Commission on Large Dams (ICOLD), claims that India's notorious Sardar Sarovar Dam on the Narmada River is displacing only 4,600 families. Even SSNNL, the state agency building the dam, admits on its web site that 10 times more people – 40,727 families – will have to move. ICOLD states that only 14 villages are being submerged. SSNNL's web site gives a figure of 245 villages affected by submergence. Independent analysts say that when canals and other ancillary infrastructure and indirect impacts are included, the total number of families displaced is at least 64,000.

The fictional claims are made in *The Dams Newsletter*, a new electronic quarterly from the Paris-based ICOLD. The aims of the newsletter are “to make dam's [sic] contributions to the well-being of humanity better known and to answer critics which appear groundless.”

ICOLD also gets its numbers wrong on the benefits of Sardar Sarovar. Their newsletter claims that the dam “now delivers drinking water for 8,200 villages and 135 towns.” Yet these are the (inflated) official estimates for water supply when the dam and its associated canals are fully completed – not likely for many years, or even decades.

ICOLD's newsletter makes some other claims that followers of dam controversies may find rather bizarre. Run-of-river dams – those with negligible storage capacity and so no proper reservoir – are often promoted as lower impact alternatives to storage projects. Yet ICOLD now states that “run-of-the-river schemes cost more than 3 times than [sic] a large dam (in terms of installed kW) and bear the same environmental risks, with a much higher risk for the security of the persons [sic].” No evidence is provided to back up these remarkable assertions.

Patrick McCully

The Dams Newsletter can be downloaded from the ICOLD website – always a site worth surfing – <http://www.icold-cigb.net/newsanglais.html>.

On investigation local people found that the boulders fell from a road being constructed for the project. The angry villagers got the work stopped. Then on January 11, less than a week after the “public hearing,” laborers felled several trees near Jagat Sukh village. The village leader was able to show that this work had been done illegally and the company was fined.

During this time, the IFC revised its ESIA, after some of its fundamental inadequacies were exposed by a review of the document prepared by SANDRP (South Asia Network on Dams, Rivers & People). However, the new ESIA fails to address most of the fundamental inadequacies of the earlier document. The value of the proposed public hearing on this inadequate ESIA remains in doubt.

Flawed Study

The ESIA suffers from many fundamental problems. It exaggerates project benefits, and tries to justify the project rather than objectively assess its impacts. An environ-

mental assessment is supposed to be a decision-making tool that includes a crucial section on options assessment, to assess if the project is the best option. To all intents and purposes, this project's ESIA does not evaluate other options.

The authors of the ESIA reveal their callousness in a number of ways. For example, they have lifted full paragraphs and statements from other documents without giving the source or saying these are quotes from other documents. In fact, the ESIA gives no sources or references for any of the facts and figures it uses. The ESIA agency does not seem to have proper knowledge of the river basins or the dams in the basin where the project is proposed. It does not seem to know basic norms like the per capita drinking water requirements, or approximate number of trees that will be felled for the project.

A number of important studies have not been done as part of the project's environmental assessment, including a study of the cumulative impacts of dams and other devel-

opments across the basin, an assessment of the project's impact on wildlife migration routes, an evaluation of the significance of floods, earthquakes and landslides on the project, etc.

A number of studies done as part of the ESIA are incomplete or misleading, such as the social impacts survey, the impacts of project-related roads and transmission lines, and downstream impacts.

The ESIA makes unsupported, wrong or contradictory statements in a number of places. Examples include: “No NGOs,” “No common Property resources taken,” and “No rare, endangered or threatened species in the project area.” The critique of the ESIA prepared by SANDRP exposes all these fundamental flaws.

The Options Assessment Section in the ESIA is a joke, to put it lightly. It does not assess the options available in Himachal Pradesh or the Northern Region. Basic issues like demand-side management, reducing losses through the transmission system, improving end-use efficiency, increasing supply-side efficiencies and exploring other generation options are not mentioned in the ESIA.

The ESIA also fails to look at the track record of the company that intends to build the ADHP, which also built and is operating the 86 MW Malana hydroelectric dam nearby. The track record for this project shows that the company has cheated the affected people, the project is performing very badly in terms of the quality of construction and power generation, and its environmental record shows callous disregard for environmental norms.

Next Steps

The local people and supporting organizations like SANDRP have demanded that a fresh ESIA be carried out by a more credible and independent agency, in close participation with affected people; that the new ESIA should be made available in the local language and a public hearing held 60 days or more thereafter, and that the public hearing be conducted by an independent panel, whose report goes to the World Bank Board before its decision on the project.

If these minimum steps are not taken, the World Bank/IFC support for the ADHP would seriously violate many key safeguard policies of the Bank. ■

The author is with SANDRP in New Delhi

Battle Looms Over World Bank Support for Extractive Industries

by Korinna Horta

Oil and mining projects have left a trail of poisoned landscapes, devastated communities, pervasive corruption and often violent conflict. These problems are especially acute in developing countries where the rule of law is weak and access to justice is denied. Now an independent report by the World Bank's Extractive Industries Review (EIR) confirms these problems and calls for fundamental changes in the way the Bank does business.

World Bank President James Wolfensohn initiated the EIR in the spring of 2001 in response to growing NGO criticism of World Bank Group support for oil, gas and mining projects. Civil society groups called for such a review after the final report of the World Commission on Dams (WCD) was released. They hoped that a similar effort on the extractive industries would lead to sounder decision-making on extractive industry projects and curb the industry's worst environmental and social impacts. The objective of the EIR was to evaluate Bank support for extractive industries in light of the institution's twin missions of poverty alleviation and sustainable development. Wolfensohn appointed Emil Salim, a former environment minister of Indonesia's Suharto government and a close ally of the country's largest coal company, to head the review. Now, more than two years later, the report has landed like a bombshell at the World Bank.

The report presents a scathing critique of the failure of extractive industries to contribute to sustainable development, highlights the negative impacts of such developments on poor communities and indigenous peoples, and describes the harm being done to the environment by these industries. It concludes with a range of far-reaching recommendations for fundamental reforms as a prerequisite for World Bank involvement in the extractive industries sector. Perhaps most contentiously, the report calls on the World Bank to phase out all investments in oil by 2008, and to continue its present trend of not supporting coal projects.

Civil society organizations and industry alike have been surprised by the depth and breadth of the recommendations of the EIR report. During the two-year-long EIR process which included consultations with stakeholders on all continents, NGOs expressed dismay at the pro-industry bias that Salim

brought to the exercise. But in the end, the EIR proved to be a surprisingly strong document. The report's conclusions urge the World Bank Group to make significant changes to its lending portfolio and to improve the design and implementation of its environmental and social safeguard policies. In addition, the EIR calls for changes in the Bank's internal incentive structure to reward effective poverty alleviation measures instead of its current emphasis on promoting quantitative lending targets. The report lays out a series of strict conditions that must be applied if the World Bank Group's support for extractive industries is to comply with its poverty alleviation mandate.

For example, the report calls on the World Bank Group to make respect for human rights a core principle of its involvement in the extractive sector. Similar to the WCD report, it advises the Bank to support only projects that directly benefit all affected groups, especially vulnerable ethnic minorities, women and the poorest; and emphasizes the need for free and prior informed consent of affected people before giving the green light to any project. The report asks project sponsors to publish their expected revenues and their plans for sharing these revenues at the local and country levels. It calls for the establishment of independent grievance mechanisms, cleaning up past projects, and improved processes for resettlement and information disclosure. It addresses environmental measures such as tailings disposal, waste management and the use of toxic substances.

Importantly, the EIR looks beyond lending for specific projects and considers the World Bank's role in using structural and sectoral adjustment loans as well as technical assistance to promote political and economic changes designed to increase private investment in the extractive sector. An estimated 100 countries have "reformed" their mining codes with Bank assistance to create favorable conditions for foreign capital. According to the EIR, the Bank has taken no commensurate measures to ensure that the poor, the environment and the overall economy would actually benefit from these investment inflows. In many cases state-run mining and oil enterprises were privatized and sold to transnational corporations without making environmental and social safety conditions

an integral part of the sale contracts. The EIR calls on the Bank to stop using adjustment lending to promote increased private-sector investment in countries where governance is weak. The report states that the Bank's private sector arms, IFC and MIGA, should also invest only where explicit core and sectoral governance criteria have been met.

The EIR recommends that full environmental and social impact assessments be carried out for all structural and sectoral reform lending as well as for technical assistance projects. It adds that these analyses should be developed in transparent and participatory processes with public access to drafts and final documents.

Industry Reacts

Industry representatives have begun to express their profound dismay at what they perceive to be an anti-industry bias of the report. Sir Mark Moody-Stuart, the former head of Royal Dutch/Shell and current chair of Anglo-American, a giant gold and diamond mining group, who served on the EIR's advisory group, has protested that the report diverged too much from previous drafts and failed to take into account industry's contribution to public finances and building of infrastructure in developing countries. He says that industry is being discriminated against with what he describes as a long list of "onerous," "cumbersome" and "intrusive" conditionalities. He also states that structural and adjustment loans have little to do with the extractive sector, implying that the EIR overstepped its boundaries by addressing this growing segment of World Bank lending. Moody-Stuart especially opposes the recommendation that the World Bank not expand support for extractive industries in countries which do not meet basic governance criteria, arguing that the World Bank is not a world government and that the institution's influence depends on the resources that it invests. Moody-Stuart does not refer to the proposed phasing out of World Bank support for oil by 2008 – perhaps because he no longer works for Shell.

British Petroleum, Shell and other important players in the oil sector submitted their own reactions in a letter to the EIR. Naturally, they oppose the phase-out of support for oil within five years. They justifiably fear

continued opposite

that adoption of this recommendation could be a “seal of disapproval” for oil development in general and dampen investors’ interest in oil stocks. They argue that the so-called “resource curse” is actually a “governance curse,” and say they endorse the EIR’s focus on governance issues, although they do not agree that good governance should be a pre-condition for investment. In their letter, the companies urge the World Bank Group to stay committed to the oil sector because of what they see as the institution’s positive influence on environmental and social standards and because the Bank exerts key influence on how the oil industry is viewed by the global community. Although the letter contains a brief reference to the ill-conceived Chad/Cameroon pipeline project as a possible model project, the companies do not provide examples of specific cases where Bank involvement in oil projects has actually led to environmentally and socially beneficial outcomes. Moreover, their argument seems to imply that oil companies cannot be expected to internalize the social and environmental costs of their operations without the carrot of public financial support through World Bank participation.

In contrast to the initial reactions from industry, NGOs have reacted positively to the EIR report. They feel that the report reflects the concerns raised by indigenous peoples and other groups that historically have had no voice in international deliberations, yet bear the brunt of the negative impacts of the extractive sector. NGOs have embraced the EIR’s recommendations as a coherent way to move forward.

Next Steps

World Bank management has until mid-March to prepare a response to the EIR report which will then be discussed by the Bank’s Board of Directors this spring. Early indications are that senior management will try to “cherry-pick” the recommendations, endorsing those it claims to be tackling already and rejecting others it disagrees with. The Bank is likely to claim that environmental impact assessment and governance issues are already high on its agenda and that adopting too stringent a set of conditionalities would result in having to stay out of the sector and forfeiting its good influence.

Yet Bank management would be well-advised to study the EIR report in tandem with reports produced internally by the Bank’s own Operations Evaluation Department (OED). A report entitled “Extractive Industries and Sustainable Development” of July 2003 (<http://www.worldbank.org/oed/>) closely mirrors the conclusions of the EIR.

Excerpts from the Final EIR Report

“[T]he World Bank Group (WBG) does not appear to be set up to effectively facilitate and promote poverty alleviation through sustainable development. There is an imbalance in the way the WBG allocates its resources to economic, social, and environmental issues. This is reflected in the number of staff, the allocation of budget, and the treatment of projects and project outcomes, despite notable improvements over the last decade.”

“Compliance rates with existing Safeguard Policies are often far below acceptable and, in some cases, the substance of the policies is inconsistent with internationally recognized rights. Much greater emphasis needs to be placed on ensuring compliance with Safeguard Policies and the consistency of these policies with human rights.”

“WBG priorities within the energy sector need to be rebalanced. IBRD and IDA should position themselves to help governments adopt sustainable energy strategies that address the energy needs of the poor and minimize climate change, which will disproportionately affect the poor. WBG lending should concentrate on promoting the transition to renewable energy and endorsing natural gas as a bridging fuel... On this basis, the WBG should phase out investments in oil production by 2008 and devote its scarce resources to investments in renewable energy resource development, emissions-reducing projects, clean energy technology, energy efficiency and conservation, and other efforts that delink energy use from greenhouse gas emissions... The WBG should aggressively increase investments in renewable energies by about 20% annually, thereby moving toward a better balance between support for fossil fuel projects, currently 94% of the energy portfolio, and support for renewables projects, currently just 6%.”

Excerpts from proposals for policy revisions and new guidelines:

“The WBG should ensure that borrowers and clients engage in consent processes with indigenous peoples and local communities directly affected by oil, gas, and mining projects, to obtain their free prior and informed consent.”

“The Disclosure Policy should be broadened to include a series of documents currently protected by confidentiality agreements between IFC, MIGA, and companies... There should be an independent and impartial Information Ombudsman to monitor disclosure policy implementation and to ensure that people have the right to appeal when they feel they have been wrongly denied information.”

“[N]o WBG-supported mining project should use riverine tailings disposal.”

“IBRD and IDA should make a strong commitment to helping governments tackle the legacy of extractive industry projects. Compensation funds should be established for people affected by past developments. In cooperation with other funding agencies and in partnership with all the stakeholders, the WBG should establish a targeted program aimed at restoring degraded lands, improving the life of the poor who are affected by previous project closures, and generating employment and skills training.”

The full EIR report is available at www.eireview.org. These excerpts were compiled by Peter Bosshard.

Like the EIR, the OED emphasizes the need to have good governance in place before launching an investment and calls on management not to significantly increase investments before addressing these risks.

OED also advises the Bank to do a much better job in monitoring the social and environmental impacts of its operations, to address human rights questions and to adopt the “free prior and informed consent” provision to help local communities have a decisive voice in investments that affect their lives. The bottom line is that most EIR recommendations fall well within the findings of the OED. Unfortunately, OED reports seldom receive the follow-up they deserve.

The EIR report provides an opportunity for significant change. But if the Bank’s response to the EIR is as tepid as was its reaction to the WCD report, the EIR will represent a step backward for the institution and the poor countries in which it invests. Will the World Bank once again sidestep the recommendations of an official review process set up by the Bank itself and demonstrate that it is unwilling to learn from its mistakes? Such a response would send a clear message that there is little hope for World Bank reforms unless governments and lawmakers threaten to cut the institution’s funding. ■

IN PRINT

The Energy Book for Urban Development in South Africa, by Sarah Ward. Published by Sustainable Energy Africa (2002). (See page 4 for an article by the book's author.)

This excellent primer about energy use in South Africa reveals why so many people are content to let "the experts" make decisions about energy supply for their communities: it's a highly complex issue, and getting a handle on it requires dedicated study. *The Energy Book* is a treasure trove of information on this complicated topic, written for a South African audience of community activists, educators and citizens.

Author Sarah Ward, an urban planner and energy expert who helped rewrite South Africa's energy policy after the fall of apartheid, does a good job of breaking down the broad topic of energy into ever-more-digestible units of information. The book relies heavily on illustrations and charts to make the concepts graphic, and is peppered with short boxed case studies that reveal some startling aspects of energy use in South Africa (such as the high incidence of deadly fires in shanty towns caused by unsafe use of wood, coal and paraffin for cooking and heating).

The book begins with a simplified telling of "the global energy story" – a broad breakdown of worldwide energy use, the potential for greater reliance on renewables, and definitions of broad energy concepts – then moves into a much more detailed story of South Africa's energy use. The reader learns about making informed energy decisions at the level of the individual family, the community and the nation. Much of the information is geared toward helping poor communities, whose decisions about energy use inevitably involve trade-offs based on cost, health concerns and needs. The book calls for addressing sound energy principles when designing and equipping low-cost housing, since energy use can account for a disproportionate household expense for the poor. For example, the book makes a strong case for solar water heaters, since currently conventional water heaters account for about 60% of the average South African's electricity bill. A section on "making more energy-efficient houses" includes an illustration on how to build a cardboard ceiling in a shanty dwelling ("Most heat is lost through a building's roof. So putting in a ceiling is the most effective way to improve energy efficiency of a house.") While the book addresses the energy issues of low-income households in particular, its contents are largely relevant to all income groups.

While the book is written for South Africans, it could serve as a model for other parts of the world, especially in countries

where poverty leads to energy inequities on a grand scale, as it has in South Africa, making sustainable energy choices even more crucial.

The Apollo Alliance Jobs Report: For Good Jobs & Energy Independence. Published by the Apollo Project. (2004). Free from <http://www.apolloalliance.org/>.

This new report calls for an investment of \$300 billion over 10 years to end the United States' reliance on foreign oil – a program the authors say will create 3.3 million jobs and more than pay for itself. The report, by the Apollo Alliance – a US coalition of labor, environmental, business, urban, and faith communities – lays out a plan that counters the Bush administration's fossil-fueled energy plan. It has attracted the attention of Democratic presidential hopefuls and been endorsed by groups such as Greenpeace, the Sierra Club and NRDC.

The report suggests that, in addition to creating jobs, such a program will reduce national energy consumption by 16%, increase reliance on renewables to 15% by 2015, reduce carbon emissions by 23%, stimulate the economy, and offer a hefty rate of return. The plan calls for promoting advanced technology cars; investing in efficiency in buildings, industry and appliances; developing new technologies to reduce global warming; and increasing US production and development of renewable technologies, among others. ■

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While one may be tempted to celebrate this more open political environment, it is worth bearing in mind that dam-building conglomerates are in fact the most powerful new interest group in China, and their activities remain beyond the reach of careful scrutiny. When China began restructuring its energy sector in 1997, it spun off former Ministry of Energy functions along resource lines, so that hydropower interests – which formerly had to compete for attention within the larger ministerial structure – now have their own structure dedicated to representing hydro's specific interests.

Other energy development functions were pushed down to the provincial level – in theory, a welcome move, but one that also made it easier for well-financed interests to capture the power generation and distribution rights assigned to provincial governments. The rise of provincial-level interests also complicated the pursuit of integrated basin management plans for those rivers that cross provincial boundaries.

The capture of these resource development rights can clearly be seen in Yunnan

Province's new water resources development policy. It calls for more private investment in this sector. But the provincial government has interpreted its oversight role as primarily that of handing out lucrative contracts for hydropower development.

Reports from Kunming suggest that authorities got together in secret with representatives from four major hydropower companies to assign development rights on the area's rivers to the companies – thereby avoiding the scrutiny that would follow from an open bidding process. One researcher, who asked not to be identified, compared the way in which these lucrative contracts were allocated to a scene from the movie *The Godfather* – "like Mafia families dividing up the territory."

Indeed, one of the hydropower conglomerates, Huaneng, is chaired by Li Xiaopeng, the son of Li Peng. Li Peng, a hydropower engineer by training, is the former Premier of China and the major driving force behind the Three Gorges Dam on the Yangtze River. Li Peng's son is one of the "Beijing Princes" who have used their political

connections to amass considerable economic power and wealth. To obtain lucrative dam-building contracts, he was said to have liberally greased the wheels of the approval process with favors and payoffs to key government officials in Kunming. (Although this impression is widespread, none of these anecdotal reports can be confirmed.)

Another conglomerate, the Huaru Company, is gearing up to develop the first of eight new dams it plans to build on the upper Yangtze River, the Jin-An-Qiao Dam. The first step will be to resettle people whose homes and villages will be flooded by the dam's reservoir. The fact that the dam is 100% privately financed – revenues from the dam for power generation will go to Huaru Company – makes it somewhat more difficult for state authorities to argue that the dam is being built "for the national and people's interest."

Another conglomerate, Datong, is busily drawing up plans for developing over 10 dams on the Red River. After exiting Yunnan province, the Red River flows into the northern highlands of Vietnam and out through

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Hanoi. Any changes in the flow rates of this river could rekindle disputes between China and Vietnam, which fought a border war as recently as 1979.

Dam development in Yunnan Province on the upper Mekong River is most advanced, and is still marked by controversy as well. Two dams have been completed, two more are under construction, and two others are well along in the planning stage. China has demurred from joining the Mekong River Commission, the international river basin management body representing the interests of the four lower Mekong states of Thailand, Laos, Cambodia, and Vietnam. It has agreed to provide the commission with hydrological data, but so far China has been unwilling to even discuss modification of the operating regime of these dams for the sake of restoring natural river flows.

Once completed, China's eight dams on the upper Mekong will block the transport of a huge volume of sediment that formerly nourished the broad alluvial floodplain of the Mekong delta in Vietnam and southeastern Cambodia. The reservoirs also intercept a major share of the Mekong's waters, with uncertain consequences for water quality and dry-season availability in downstream states. China has asserted that its dams will help smooth out the sharp seasonality in the Mekong's water volume (there is a ten-fold difference between peak flows in peak wet and dry seasons), alleviating droughts and helping in lower-basin flood control.

The consequences of this dramatic change in the Mekong's annual hydrological pattern are not yet clear. Communities along the river in the lower Mekong states are holding their breath. So controversial are the Mekong dams that the Asian Development Bank – which has been a major supporter of hydropower development elsewhere in Southeast Asia – has shied away from providing direct financing to the Yunnan dams. It has, however, financed the construction of high-voltage power lines linking Yunnan to the booming province of Guangdong.

China may not need the direct financial support of any international lending agency. Successful bond issues on international markets by the China Development Bank, the increasing involvement of domestic banking syndicates from Shanghai and Guangzhou, the issuing of guarantees and concessionary insurance development credits by the central government, and the willingness of provinces to commit resources to these projects, suggests that the rapid pace of investment in Yunnan for hydropower development may continue for some time to come.

Aside from the dams' impacts on the province's natural environment and the potentially destabilizing effect they will have on China's relationship with its near neighbors, the strategy concerns some economists for its impact on local government finances.

Commented one researcher: "Increasingly, the provincial government is being persuaded that they should have only an indirect role in hydropower development strategy. In the short-term, provincial authorities see a huge growth in jobs and new econom-

ic opportunities for impoverished areas. But those opportunities will only be available during the dam construction period. After that, the economic benefits from the dams will go to the central government and provincial government in the form of taxes and fees from operation of these dams. What will happen to local governments once they have lost economic opportunities from tourism, forestry, agriculture, and small-scale industries? This issue has not been addressed yet." ■

Mobilizing Against China's Dam Plans

Over 80 people's groups in Thailand and Burma are speaking out against China's plans for large dams on the Nu (or Salween) River. The groups say that the dams will bring devastating effects for people downstream, and called on China to consult with downstream communities who depend on the river for fishing and farming.

Increased criticism of the plans for the Nu are not only coming from the outside. Within China, academics, journalists and activists from China's burgeoning NGO sector are also expressing concerns about the social and environmental impacts of the dam cascade.

From China, the Nu River becomes the Salween as it flows into Burma and along the Thai border. Releases of "sediment-hungry" water from upstream dams could erode riverbanks downstream, destroying dry season riverbank vegetable gardens and destabilizing structures. Changes in sediment load and water flow will impact fisheries.

"There are many Thai-Karen communities living along the river and its tributaries. These communities have been living there for generations," said Chinarong Sretthachau, Director of the South East Asia Rivers Network (SEARIN), based in Chiang Mai. "Their lives depend on the richness of the lush ecosystem and natural resources of the Salween river basin."

With the emergence of a new Chinese leadership that claims to be committed to more openness, public participation, environmental protection, and reducing social inequalities, Chinese civil society is experiencing a marked increase in political freedom. This new freedom is permitting increasing public criticism of China's dam-building plans, in particular of the proposed dams in the southwest. The recent indefinite suspension of a dam by the governor of Sichuan province following public awareness campaigns about the dam's impacts to a cultural heritage site is a striking sign of the new atmosphere within the country.

Journalists, researchers, and NGO activists from across the country recently came together to discuss the impacts of hydropower projects. Hosted by the Centre for Environment and Development of the Chinese Academy of Social Sciences (CASS), participants in the Beijing meeting were mainly concerned about the dams in the southwest but also discussed resettlement and environmental impacts of dams more generally, international trends in dam building, and the broader environmental impacts of the "Go West" development drive.

China is relying heavily on hydropower to meet its soaring demand for electricity. Officials plan to triple installed hydroelectric capacity to 270,000 MW by 2020.

"This situation calls for reform of regulations governing these projects and the mechanism for implementing those regulations," said Li Dun, a professor with the Centre for Study of Contemporary China at Qinghua University. "Evaluation of project impacts should be done by independent experts and their names should be made public. Construction plans should be subject to public scrutiny, and officials who make decisions that prove to be wrong should be held accountable," Professor Li suggested.

"China is seeing an economic boom while the rules and regulations in the market economy are still in the development stage. This is a time when people often make mistakes, so prudence becomes crucial," said Zheng Yisheng, director of the CASS Centre for Environment and Development.

Doris Shen