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## Engaging the Asian Development Bank Voices from NGOs



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# Engaging the ADB

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\*These papers are edited versions of those presented at the "3rd Asian NGO Regional Consultation on ADB Policies and Issues" held in Quezon City, Philippines from 25-28 April 1996, and published in the "NGO/PO Campaign Manual on the ADB for Beginners" by the NGO Working Group on the ADB.



ASIAN DEVELOPMENT



# **Introduction**

**Filomeno S. Sta. Ana III**

**B**y now, it is stale to say that Asia is “the fastest-growing region in the world.” Yet, it needs to be reiterated, if only to remind us of the complex challenges that progressive visionaries face in changing reality.

Indeed, even as the growth of Asia’s highly performing economies has slowed down, the regional growth rate outpaces everyone else, including that of the industrial countries. To illustrate, GDP (gross domestic product) of “developing Asia” declined from 8.3 percent in 1994 to 7.9 percent in 1995; nevertheless, the 7.9 percent growth rate is more than double the world’s GNP growth of 3.5 percent. More to the point, the average GNP growth of industrial countries (including Japan ) is but a third of developing Asia’s growth rate (Table 1).

Asian Development Bank’s (ADB) President Mitsuo Sato presents a succinct summary of the recent overall economic performance of developing member countries or DMCs (Asian Development Bank, *Asian Development Outlook: 1996 and 1997*):

## Engaging the Asian Development Bank

Developing economies in Asia continued to prosper; growth was robust and living standards improved. *Inflation worsened and external balances deteriorated in a few countries; however, these were often just symptoms of rapid growth.* Care must be taken to prevent serious macroeconomic imbalances. Competitiveness in international markets improved as policy adjustments were made to facilitate international trade and the free flow of capital and technology across national boundaries. *The potential crisis in financial markets created by the crisis in Mexico at the beginning of the year had a marginal and temporary effect on the developing economies in Asia....*(Italics supplied.)

**Table 1: World Economy Growth Rates (in percent)**

Real GNP <sup>1</sup>	1994	1995	1996	1997
World	2.7	2.6	3.2	3.5
Industrial Countries	2.6	2.1	2.4	2.6
United States	3.4	2.1	2.2	2.3
Japan	0.5	0.5	2.5	2.5
Germany	2.2	2.1	1.9	2.5
Developing Countries <sup>2</sup>	5.5	5.0	5.2	5.4
Africa	2.6	3.0	4.0	3.5
Asia	8.2	7.9	7.1	7.3
Latin America	2.5	-0.3	2.0	2.6
Middle East and Europe	0.3	2.4	2.5	2.8
Countries in Transition	-9.5	-1.8	2.4	3.5

Source: ADB, *Asian Development Outlook: 1996 and 1997* citing: International Monetary Fund, *World Economic Outlook* (Washington D.C., October 1995); Organization for Economic Co-operation and Development, *OECD Economic Outlook* (Paris, December 1995); United Nations, University of Pennsylvania, and University of Toronto, *Project Link World Outlook* (mimeo, Spring 1996); World Bank, *Commodity Markets and the Developing Countries* (Washington D.C., February 1996); and ADB staff estimates.

Breaking down the growth rate of "developing Asia" would however reveal wide variances (See Table 2). In 1995, China had the highest growth

<sup>1</sup> For Asia and some industrial countries, GDP is used. For "countries in transition," net material product (NMP) is the growth measure. The computation of regional aggregates is based on purchasing power parity valuation of GDP.

<sup>2</sup> Countries in transition belong to a different category.

rate, posting a 10.2 percent GDP growth. Southeast Asia and the NIEs had GDP growth of 7.9 percent and 7.6 percent, respectively, in 1995. South Asia had a respectable 5.8 percent GDP growth for the same year. However, the Central Asian Republics and the Pacific Islands had negative growth rates of 8.5 and 4.3 percent, respectively.

Significant variances can also be found within sub-regions. In Southeast Asia, for example, Malaysia's GDP growth in 1995 was a high 9.3 percent, while the Philippines posted a (relatively) mediocre 4.8 percent for the same period. In South Asia, the GDP rates in 1995 ranged from Bangladesh's 4.1 percent to Nepal's surprising 7.3 percent.

**Table 2: Gross Domestic Product<sup>3</sup>: Developing Asia (1994-95) (annual percent change)**

	1994	1995
Developing Asia	8.3	7.9
Newly Industrializing Economies	7.5	7.6
China	11.8	10.2
Central Asian Republics	-25.5	-8.5
Southeast Asia	7.8	7.9
South Asia	5.8	5.8
Pacific Islands	2.8	-4.3

Source: Asian Development Bank, *Asian Development Outlook: 1996 and 1997*

For 1996 and 1997, the official outlook is rosy for Southeast Asia, South Asia, and China. The prospects for the Pacific Islands and the Central Asian Republics remain bleak.

In the case of the Central Asian Republics (Kazakhstan and the Kyrgyz Republic), the main problem is that the former socialist (to be precise, command) economies are still going through a period of painful transition and adjustment. In the words of the ADB:

"The economic difficulties and breakdown of production which followed the collapse of the Soviet Union are continuing in these two new DMCs. Output declined by a further 8.5 percent in the two economies in 1995 on top of a decline of around 40 percent over the preceding two years." In the same breath,

<sup>3</sup> The computation of GDP average fails to include the growth rates of five DMCs, namely Cambodia, Kazakhstan, Kyrgyz Republic, Mongolia, and Myanmar (Burma).



the ADB is saying that "production is likely to continue falling in each of these Central Asian Republics for the next two years."

With the J curve as a conceptual reference, the Central Asian Republics are but expected to have negative growth during a stabilization period. In turn, this period of stabilization, characterized by painful adjustment and output contraction, prepares the ground for economic recovery and momentum towards a sustainable path of growth. The deeper (and more painful) the adjustment, the shorter the phase of transition. The more gradual the reform process, the longer the time of transition.

The objective conditions of the Pacific Islands' DMCs are far more difficult, given the backwardness of their productive forces, the small base of their manufacturing and service sectors, and the dependence of the majority of their peoples on a subsistence economy.

All told, to quote a European banker (Frans van Loon, director of the ING Bank International's Emerging Markets Group), everyone is "kept occupied" by "the exciting growth in Asia." Even the Central Asian Republics, once they have consolidated their structural reforms, could be expected to follow the overall growth trend in Asia.

Yet, it is also undeniable that growth by itself cannot fully address poverty issues, more so equity and other development concerns. And even before that, we have to see whether Asian growth is indeed sustainable, say through the early period of the 21<sup>st</sup> century. The critical factors include ecology and availability of natural resources, productivity, technological innovation, and investments.

In relation to investments, the ADB itself acknowledges that highly industrialized countries, including Japan, cannot be counted on for a substantial expansion of direct investments, until these mature economies can reverse their falling savings rates.

The ADB, too, acknowledges the huge environmental costs arising from Asia's rapid growth. Moreover, says the World Bank, "East Asia has paid insufficient attention to protecting and restoring the environment as population growth, rapid urbanization and the spread of industry have placed growing demand on air, water and forest resources. The consequences today are heavy, with unacceptably high pollution levels in air and water throughout much of the region—particularly in major urban centers." The World Bank estimates that East Asia's environmental protection will cost US\$24 billion annually till the year 2000.

The environmental situation in South Asia is similar. The World Bank also says that South Asia's "economic growth is putting pressure on the environment. Many areas are already experiencing increased pollution, soil erosion, land degradation, and deforestation."

The contradiction between environmental protection and growth is getting acute. On the one hand, to sustain growth, investments have to be made in physical infrastructure, particularly in energy, telecommunications, roads, and ports. For East Asia alone, the World Bank estimate is an amount of US\$ 1.5 trillion for infrastructure investments for this decade alone. On the other hand, massive infrastructure and the accompanying intensified demand for consumer goods would worsen the already critical environmental state.

Moreover, poverty, despite its significant reduction arising from sustained growth in some countries, remains a fundamental problem. In East Asia, poverty incidence has been reduced to 11 percent of total regional population. Yet in absolute terms, there are about 180 million people in East Asia who live in absolute poverty. In addition, another 280 million people—those barely above the poverty line—"are among the most isolated and hardest to lift from poverty, even through sustained economic growth," to quote the World Bank.

In all of Asia, there are more than 700 million people who live in absolute poverty. This staggering number constitutes 70 percent of the world's poorest people.

To reiterate, growth is not enough to wipe out poverty. Or as the United Nations Development Programme (UNDP) puts it, "Wealth alone does not bring better lives, poverty does not mean only lack of income." The UNDP cites Pakistan as an example; "(its) economic growth is enviable, but 61 per cent of the population lacks the health, education and nourishment to climb out of poverty."

It is in the above light that the role of Asia's development bank in the region's growth and development is a crucial point of intervention for progressive activists and scholars. It is also in this light that ARENA is active in the campaign led by the NGO Working Group on the ADB.

The ADB must live up to the official expectation that it be a catalyst, specially in the areas of poverty elimination and sustainable development. In the words of ADB President Sato:

Despite Asia's strong economic performance problems persist. Many countries—in South Asia, the Pacific Islands and those with economies in transition—have thus far not shared in the economic dynamism of the rest of Asia. In countries with relatively low or modest economic growth, there has been only a slow reduction of poverty.... This region has also paid a heavy environmental price for its industrialisation. Considerable resources will (be) required to address these problems, including assistance on concessional terms.

The devotion of one issue of *Asian Exchange* as a forum to discuss and critique ADB policies and programs is ARENA's modest contribution, if you will, to the over-all effort of social movements to engage, or confront, the ADB. Through this issue, we hope the *Asian Exchange* readers will gain a better appreciation and a more-in-depth understanding of the major issues vis-à-vis the ADB.

We wish to thank the NGO Working Group on the ADB for the reprint of papers from its *NGO/PO Campaign Manual on the ADB for Beginners*. We cite Isagani Serrano for his provocative reflections on the ADB lobby and Antonio Quizon for his insights into the NGO campaign. We, too, would like to thank our friends in the ADB for allowing us the use of official documents. We specially thank Mr. Gordon Wilkinson for his contribution, which illustrates the opportunities for Bank-NGO cooperation.


The coverage of issues discussed is quite comprehensive—encompassing ADB's major thrusts and sectoral policies. We have included the latest exchange of communication between the NGO advocates and the ADB President, which captures the points dividing the Bank and the NGOs. Two national case studies (India and the Philippines) highlight the issues relating to the ADB's country operational strategy. For conciseness and a degree of standardization, some editing was done on the reprinted articles, without affecting the substance and style.

The different papers, if we weave them together, may not result in a coherent whole. This is not disturbing, for the writers—and for that matter, organizations belonging to the NGO Working Group—have differing mind-sets and perspectives. This is what pluralism is all about.

The unifying cause is to change the ADB, regardless of the mode. How to change the ADB is the daunting question. Some want the ADB abolished. Others want the Bank transformed into, say, a regional cooperative bank. A few, as reflected in the articles of Serrano and Sta. Ana, want to exploit the openings and engage the Bank on its turf.

In spite of this, the NGO Working Group has shown its capacity to stimulate healthy debate at the same time develop unity on fundamental questions. Mao's words, even if contemporary history has rejected his "thoughts," remains inspiring: "Let a hundred flowers bloom, let a thousand schools of thought contend."





# ***The NGO Working Group on the Asian Development Bank***

**T**he NGO Working Group on the ADB is a loose network of non-governmental organizations (NGOs) and people's organizations (POs) who are monitoring activities related to the ADB. The thrust of the Working Group is to develop a cohesive framework and/or overall strategy for the campaign for sustainable development at the ADB. The Working Group's overall advocacy is targetted on attaining poverty alleviation and equity.

Prior to the late 1980s, the ADB's development framework and paradigm has been left unchallenged. The Working Group has for the past 8 years now challenged the Bank's growth-oriented development model and centralized top-down development strategies. Partly in response to pressures from donor governments, NGOs and Pos, and other international institutions, the ADB came up with several policy papers as a conditionality to the ADB General Capital Increase in 1994.

At present, the NGO Working Group on the ADB is monitoring the implementation of the policies on energy, population, good governance, inspection function, women in development, involuntary resettlement, forestry, agriculture, and the confidentiality and disclosure of information. The policy on indigenous peoples is still in draft form. The Bank is preparing the consultation with the indigenous peoples groups in Asia sometime late this year.

Aside from these, the Working Group is also monitoring the economic cooperation in the Greater Mekong Subregion and the growth triangles in Asia. Two of the major concerns raised by the Working Group is the cumulative social and environmental impacts of these developments, and the need for public participation and consultation with the communities that will be affected by the ADB funded projects. Another concern is the trend in privatization and the transparency and accountability of the private investors.

Though loose and informal, the Working Group has some form of structure which facilitates its various activities. The NGO WG on the ADB Regional Secretariat is composed of four organizations: Asian NGO Coalition on Agrarian Reform and Rural Development (ANGOC), The Freedom from Debt Coalition (FDC), The Philippine Rural Reconstruction Movement (PRRM), and the Legal Rights and Natural Resources Center Inc. - Kasama sa Kalikasan (LRC-KSK/Friends of the Earth-Philippines).

### **THE ASIAN CAMPAIGN ON THE ADB**

The Asian Campaign on the ADB is focused on the Bank's development priorities and how its lending portfolio addresses the problems of poverty alleviation and equity in the region. Most of the issues raised by the group concern the social and environmental impacts of specific ADB activities.

In 1989, NGO representatives from JATAN, WALHI, FoE-US, and ANGOC attended the ADB Board of Governors' Annual Meeting which was held in Beijing. They had a meeting with then President Masao Fujioka and lobbied for improved project monitoring, more environmental staff, end-use efficiency in energy loans, sustainable agriculture, debt reduction and cooperation with NGOs. The sectoral lending in forestry and the issues on indigenous peoples were likewise raised at that time.

During the time of ADB President Kimimasa Tsurumizu (24 November 1989 to 1993), the issues on public accountability, transparency, access to relevant information, public participation in project design, implementation and monitoring, social and environmental impacts of projects, structural adjustments, and the Bank's growth-oriented development model and centralized top-down development strategies have been repeatedly raised with the Bank's senior officials, executive directors, and government delegations.

Concerned groups took the opportunity surrounding the discussions related to the Bank's doubling of its capital resources or the General Capital Increase (GCI) in 1994 and the replenishment of the Asian Development

Fund (ADF-VII). There was a general call for the Bank to review its progress in meeting its acknowledged goals and responsibilities before any individual funding is given to the Bank. Thus, the ADB Task Force on improving project quality was created in April 1993 to conduct an internal review to improve its standards of performance and enhance the effectiveness of its operations. The major themes that underlie the analysis of project quality include: a.) Bank responsiveness to the needs of its clients; b.) institutional capacity and project ownership in the DMCs; and, c.) accountability for project quality within the Bank. The overall results showed that of the 427 projects that were post-evaluated representing about \$8 billion which was financed by the ADB (\$19 billion in total investment costs), only 60% of the projects have been rated as generally successful.

The Asian campaign on the ADB is facilitated by an informal coalition of NGOs and POs who are presently known as the NGO Working Group include direct policy advocacy for specific policy changes; research grounded on people's experience regarding the implementation of Bank policies as reflected on the way project loans and technical assistance are designed, implemented, monitored, and evaluated; direct lobby with the decision makers of the ADB which includes the Board of Governors and the Board of Directors as well as the Bank Management and Project Officers.

The NGO Working Group on the ADB's activities is facilitated by an informal regional secretariat composed of network organizations with office base in the Philippines since the ADB Headquarters is in Manila. The secretariat is composed of ANGOC, FDC, LRC-KSK-FoE-Philippines, and PRRM. At present, more than 130 NGOs and Pos receive copies of UPDATES, the newsletter of the Information Desk of the Working Group Regional Secretariat are as follows:

a.) Internship program for selected NGOs who would be invited to visit Manila for at least a week to get a briefing on the Asian campaign on the ADB, to construct interviews and research at the ADB Headquarters, and to network with NGOs/POs in the Philippines. A visit to an ADB funded project is optional;

b.) A regional planning meeting or the expanded Working Group meeting whereby core NGOs in the region would be invited to assist the Regional Secretariat in planning the activities for the regional consultation and annual meeting;

c.) A regional consultation prior to the ADB annual meeting whereby NGOs and Pos in the region would be invited to share their experiences and case studies monitoring ADB policies and projects. Usually, one of the outputs



of the consultation is drafting of the letter to the ADB President outlining some suggestions and recommendations. During the third regional consultation held in Manila last 25-28 April 1996, the participants prepared campaign papers on the review of the Bank's policies and lending portfolio, the Asian Development Bank, the country programming, and issues relating to the structural adjustment program. There were also several project case studies that were presented.

d.) The NGO and PO participation during the ADB Board of Governors' Annual Meeting whereby the NGO/PO delegation gets ADB accreditation to attend the meeting. Usually, two days before the annual meeting, the NGOs and Pos conduct parallel activities such as the NGO/PO strategy meetings, meeting with the ADB President, and dialogue with the government delegations, executive directors and senior Bank officials. The NGOs and Pos also conduct press conferences and media briefings; prepare newsletters (Bankwatch) to be circulated to the government delegations; and visit an ADB funded project site for exposure.

### **SOME CHANGES AT THE ADB**

In response to pressure from groups lobbying for reforms at the ADB, as well as pressures from donor governments and international institutions, some of the changes that has been evident over the past eight years include the following:

#### **Institutional Reforms**

1. An Office of Environment and Social Development (OESD) that is reporting directly to the Office of the President. This office has increased its environmental and social development specialists over the past eight years. At present the Environment Division is composed of eleven environment specialists while the Social Development Division (SOCD) created in 1992 (formerly Social Dimensions Unit) has seven social development specialists. The NGO Coordinator is a staff of the SOCD.

It should be noted that in 1992, SOCD was placed under the Agriculture Department (AGD).

With the present number of professional staff at OESD and with the number of projects and technical assistance that they review each year (average ratio 1:25), the staff are overstretched and overworked. With special attention given to the social and environmental impacts of ADB funded

projects, there is a need to increase the professional staff in this office as well as the number of social and environmental scientists in the programs and projects departments of the Bank.

2. The ADB reorganized its operational functions in January 1995 to contribute to the achievement of the shift in the Bank's operational focus from project to country. It also would improve country projects coordination and integration. With the reorganization, operational responsibility for the Bank's DMCs was split between two regional Vice-Presidents, each responsible for Programs and Projects functions for the DMCs assigned to them.

3. There has been an increase in the number of female professionals from only about 3% in 1991 to 10.40% out of 653 professional staff as of March 1995.

There is a continuous and active lobby for the Bank to increase its female professional staff as well as increase the number of staff with expertise in social sciences such as environmentalists, sociologists, women in development, anthropologists, and the like.

4. An internal review was conducted in April 1993 to assess the Bank's current practices and experience. As a result of the assessment, a new system was introduced in August 1993 covering all projects in the public sector. The projects are now classified and monitored regularly, particularly from three points of view: a.) implementation progress; b.) project costs; and, c.) compliance with covenants.

5. The Audit Committee of the Board in its review of project performance and impact evaluation among others, reported that there were problems with project implementation. The Committee recommended that Bank staff should learn lessons from past performance and that all persons affected by the implementation of projects should be consulted during project preparation and processing. The issues of project ownership and beneficiary participation are now recognized as important factors for the success of a project.

Feedback received from NGOs and POs monitoring ADB projects reveal that there exist the perennial problems of lack of public participation and consultation. In fact, one of the major demands during the recent ADB annual meeting is for the Bank to have a guideline or a policy paper for participation.

6. The ADB has a set target of 50:50 project mix; meaning 50% in number or volume of projects should be social and environmental projects while the other 50% should be traditional growth projects. By value or amount loaned, the ADB has a target of 40% in value should be used for social and environmental projects.

The NGOs/POs challenge the Bank anew to make all economic growth projects incorporate cross-cutting social and environmental concerns even only as a secondary objective.

### Policy Reform

In 1994 and 1995, several policy papers were approved: energy, population, good governance, inspection function, women in development, involuntary resettlement, forestry, agriculture and the confidentiality and disclosure of information. The Working Group submitted their critique, suggestions and recommendations for input in some of the draft policy documents.

At present, one of the foci of our activities is directed towards monitoring the implementation of these policy documents. Based on the review of the Bank's performance in 1995, there exists some gap or discrepancy between the Bank's policies and its lending portfolio and practices. The NGOs and POs case studies on the reviews of the Bank's policies and its implementation were submitted to ADB President Mitsuo Sato during the 29th ADB Annual Meeting.

7. The ADB approved the policy on governance: sound development management last October 1995. The Bank recognizes that the policy environment in which development takes place should be appropriate, that equity issues should be addressed, that DMCs should strengthen their ownership of projects and take a participatory approach in project design and implementation, and that the experience of the high-performing economies in the region could be use ful in formulating development strategies. To make the elements of good governance operationally relevant, the Bank has identified four areas of action, i.e. accountability (building government capacity), participation (participatory development processses), predictability (legal frameworks) and transparency (openness of information).

The case study of WALHI confirms that the Bank has failed to take a firm role in promoting good governance within DMCs policies. There are specific recommendations for the Bank to have a moratorium for projects that face great public opposition; for the Bank to have a clear mechanism

for access to project information ; and for the Bank's working paper policies to be in line with the new governance policies such as the involuntary resettlement policy and women-in-development.

8. The ADB established an inspection function in December 1995 to serve as a grievance procedure in case there are allegations of violations of Bank operational policies and procedures in the formulation and implementation of public sector projects. The inspection procedures will take effect upon the Board's approval of the initial Roster of Experts consisting of at least ten individuals of different nationalities from the Bank's member countries. A request for inspection has to be submitted to the Board Inspection Committee (BIC) — a six-member committee of the Board of Directors — which will decide whether to recommend an inspection to the Board of Directors.

This policy is also related to the Working Group's lobby for the Bank to be transparent and accountable in its operations. It is a welcome move but falls short of its potential. The Bank's private sector projects are not included in the inspection function. The Working Group demands that the concept of the inspection function be revised so that it adequately provides redress to violations of rights of communities while at the same time makes it objectively possible to review and monitor the operation of the Bank at all levels.

9. The ADB policy on involuntary resettlement addresses the issue of equity that relates to the impact of projects on vulnerable groups. Most project cases deal with land problems whereby land must be acquired and people have to be resettled. The policy requires an initial social assessment of every development project from 1996 onwards.

The Working Group demands that the Bank should not finance any project that involves any form of involuntary resettlement (consent taken by force, stealth or outright deceit) as an inevitable consequence of development. The Bank must operationalize its own policy of minimizing resettlement in all projects through examining alternatives that avoid any form of resettlement. There is also a demand that in existing projects where resettlement has been inadequate, the Bank should fully address problems of displaced peoples and communities in a fully transparent and participatory manner.

10. The Bank's policy on confidentiality and disclosure of information has declassified documents such as the country program notes (CPN), country operational strategy study (COSS), economic review and Bank operation paper (ERBOP), country operational program paper (COPP), project/program profile (PP), concept clearance paper, social analyses (SA), project

preparatory technical assistance (PPTA), technical assistance reports (TA), reports and recommendations of the President (RRP), and loan agreements. This policy is effective January 1995 and documents are made available to the public for all project documents approved after the effectivity of the information disclosure policy.

One of the general feedbacks from NGOs was that this policy was not implemented in favor of disclosure and transparency but was an assertion of what documents are confidential and restricted. There is a demand for the Bank to revise its existing information policy so that it is mandated to play a more proactive role in providing critical and relevant project documents and information to communities from the time the project is conceptualized. Information should also be made available in the national or local languages to ensure participation and an informed decision among project beneficiaries and those affected directly or indirectly by ADB funded projects.

The ADB World Wide Web home page was established on the Internet in 1995. Information on ADB Business Opportunities and project profiles and listing of environmental impact assessments are included on the Internet.

Based on a questionnaire circulated by the Working Group, we learned that only a handful of NGOs in Asia and the Pacific who are monitoring ADB policies and projects are connected to the Internet. There are some who use e-mail while most of them have telephones and facsimile machines for communication. This is true for most of the Working Group contacts in Bangladesh, India, Malaysia, Nepal, Papua New Guinea, and Sri Lanka.

11. The Bank's policy initiatives for the energy sector includes measures to promote nergy efficiency and alternative sources of energy. The Bank recognized the need for efficient energy supply in DMCs and emphasized the importance of integrating environmental considerations closely in all energy sector activities. Another focus of the policy is on increasing private sector participation in large-scale energy investments. This policy was approved in November 1995.

Studies on the lending portfolio of the Bank from 1995 to 1997 show no real shift towards renewable technologies nor demand side management. The Bank is continuing to support traditional, environmentally and socially destructive energy supply projects such as coal and hydropower. The Working Group Demands that the Bank immediately review its energy sector portfolio for 1996/1997 to ensure compliance with the Bank's energy policy.

12. The Bank's policy on the forestry sector is based on three imperatives: protection, production and participation. Priority areas for the Bank's operations in the forestry sector include the improvement of DMCs policy and regulatory frameworks for forestry development; support for technological, policy and valuation research; public consultation in forestry development; the development of investment strategies; and raising the capability of forestry agencies for sector analysis, planning, regulation, enforcement and monitoring.

One of the recommendations of SEHD, Bangladesh states that "the Bank should amend and add to its policy provisions that the Bank does not finance any project unless the customary land use, land tenure and resource use and ownership rights of indigenous peoples and other traditional forest-dependent communities are fully recognized and protected by their national governments and land conflicts resolved." The Bank should be more sensitive to local needs, be transparent, and consider innovations of the forest communities.

13. The policy paper on agriculture and natural resources research has identified the following areas as the focal points of Bank support: a.) developing sustainable and remunerative farming systems for poor farmers; b.) ensuring sustainable management of agricultural and natural resources; and, c.) raising agricultural productivity.

The case study prepared by ANGOC showed that recently (1995) funded agricultural projects in Sri Lanka, Vietnam, Kasakshtan, Kyrgyz, Tonga, Cambodia, and Indonesia, show a bias for developing "competitive market-based agriculture" and commercialized plantation-based production, both of which run counter to the Bank's pronouncements on sustainable agriculture. NGOs demand that the Bank participatively develop a comprehensive and holistic policy on agriculture and rural development that addresses sustainability and equity issues and which would serve as an overarching framework for the sector.

14. A policy paper on indigenous peoples is underway. The Bank is in the process of conducting in-country and subregional consultations with indigenous peoples groups. ADB organized a regional forum on IP policies for development assistance in Asia last November 8-10, 1995 in Manila.

The Working Group recommends that the Bank seriously assess how its commercially-oriented forestry programs have contributed to the further weakening of tenure of upland and indigenous communities as well as the further degradation of these environments.

15. The Bank's cooperation with NGOs is being reviewed and the draft policy paper will soon be submitted for Board consideration and approval.

### CONCLUSION

The Asian NGO/PO Campaign on the ADB had made a considerable impact that has influenced several reforms — institutional and policy reforms — in the Bank. Foremost is that it has pushed the Bank to continually review its programs and projects and see how the Bank's activities had addressed the problem of poverty alleviation and equity in the Asia-Pacific region.

With all the changes happening, we could not but continue to be vigilant in our advocacies. Much of the policies are in place and the amount of work needed to monitor the implementation of these policies entail a bigger challenge for lobby groups on the ADB. With the Bank's active role in promoting regional cooperation, especially in the Mekong subregion and the East Asian Growth Area, ADB campaigners realized that these are areas that would necessitate a more focused study and advocacy in the future.









# ***Reflections on Our ADB Lobby\****

**Isagani R. Serrano**

**T**he Asian Development Bank (ADB) turns 30 in 1996. In Fukuoka where the Bank will celebrate its three decades of operations in 1997, the mood will be upbeat. Member countries and guests who will come to the banquet will surely hail the Bank for a splendid job of helping make Asia and the Pacific the fastest growing region of the world.

At the time of the 30th ADB Annual Meeting in May 1997, activists from different countries will also mark nearly a decade of sustained NGO lobby for Bank reforms initiated in 1989. They, too, will have their own story to tell and, it will not be as rosy.

For the record, ADB's history spans three development decades, long enough to accumulate lessons from project experience, demonstrate impact, answer criticisms, and make a real change.

A multilateral development finance institution set up to promote the economic and social progress of its developing member countries (DMCs) in the Asia Pacific region, the ADB began operations in December 1966 from its headquarters in Manila. Its capital stock is owned by 56 member countries (as of end-1995), 40 of which come from the region and 16 from outside the region.

The Bank gets its money from member subscriptions and paid-in capital; donor contributions; government-backed borrowings from the regional and international capital markets of Asia, Europe, the Middle East and the United States; and from the central banks of some member countries and from accumulated net income.

As of 1995, the Bank's authorized capital comes to around 52 billion dollars. So far it has borrowed 19 billion dollars from the international capital markets for its own ordinary capital lending and private sector investments. It has also used about 20 billion dollars from its soft loan window, the Asian Development Fund, for concessional lending to poorer developing member countries (DMCs). Additionally, the Bank got around 623 million dollars as Technical Assistance Special Funds for financing technical assistance operations.

Where did all this money go? The bulk of course went to the Bank's main product — loan projects — usually conceived by the Bank and then sold to or consulted with its borrowing DMCs who in principle should be the project owners. The rest went to the Bank's other products—technical assistance and advisory and sponsorship of various regional activities—and to salaries and benefits and operating costs.

By May 1996, the Bank had spun out a total of 1,385 projects in its public and private sector operations, accounting for 57.1 billion dollars in loans and credits. Completed projects totaled 973 by 1995. These projects spread across such sectors as agriculture and agro-industry, energy, finance, industry and non-fuel minerals, transport and communications, and social infrastructure. Technical assistance and advisory service to these projects, from project preparation to implementation and evaluation, cost 4.3 billion dollars.

The Bank is run by a whole array of highly paid international civil servants (642 professional staff and 1,278 support staff as of end 1995) headed by a president (by tradition, always a Japanese national) who is elected every five years by the Board of Governors composed of heads of member countries' central banks or finance ministries. The Bank's President chairs the Board of Directors and conducts the business of the Bank under its direction. The members of the Board of Directors are highly paid ambassadors of member governments whose salaries and perks are drawn from the Bank's coffers.

The Bank's net income indicates good banking business. In the last five years alone, the Bank has consistently realized a net income of more than half a billion dollars annually. Not bad business for a public institution

mandated to catalyze economic and social development on behalf of its developing member countries.

## JUDGING THE BANK'S PERFORMANCE

But what about the results and outcomes? What would constitute a fair judgment of the Bank's contribution to a DMC's economic and social progress, or lack of it? Are the 40 DMCs which should have benefited from over 1,000 projects financed by Bank's loans better off now than before? Who really benefited from all these projects? What were the costs and who paid them?

A consensus judgment will not come easy, even among like-minded activists and lobbyists. The difficulty lies in part to ideological reasons, as in the case of a radical perspective clashing with a less radical one. Another problem has to do with information. How much do we really know about the Bank's projects to be able to ascertain their costs and benefits and final effects?

The two problems are closely linked. Assume we know enough about each project or operation, the value we will put on the data gathered will still be colored by our ideological bias. Nevertheless there is no substitute to getting our information right. We need to do hard-nosed research and produce case stories from each country, if possible, and straight out of project sites.

But we need not hold our punches. The least we can do is to take the Bank on its own word. Bank reports and related literature abound, and there is more than enough material to ground our conclusions on the Bank's 30-year record.

The record shows that up until the early 1990s the Bank has been preoccupied more with pushing money out the door, so to speak. This is the so-called culture of approval that has long characterized Bank operations. The Bank has made out one loan after another, mostly for traditional growth projects that has favored the borrowing countries' elites and resulted in more harm than good to the masses of poor and the environment.

The more than 57 billion dollars of Bank loans have piled up as international obligations in the borrowing countries' ledgers, adding to an already huge composite debt burden and with little prospects of being fully serviced. So far only South Korea has graduated from the status of a borrower nation.

It seems that the Bank is less interested in collecting repayments than in opening local economies to global trade. What is more important for the Bank is to increase exports, and it matters little if earnings from these do not suffice to meet the borrowers' obligations. Indeed most of the borrowing DMCs have already been trading off their human and natural capital without necessarily increasing their capacity to repay. Most of the Bank-funded projects which got the lion's share of the Bank's resources appear to be oriented in this direction.

### HOW TO PLACE BANK REFORMS

The ADB, like its global counterpart, the World Bank, has been responding positively to mounting criticism of its policy and practice. We are being told that the infrastructure bank of old is no more. What we are now supposed to see is a bank that has gone far down the road to reforms: A reformed ADB that addresses social and environmental concerns more than anything else. An ADB more accountable with respect to the conduct of its business and the consequences of its decisions.

The Bank subscribes to the current ideological consensus that economic growth is necessary but not enough. What it means is that the Bank from now on will see to the incorporation of social and environmental concerns across the board while pursuing economic development. Following this, the Bank has put in place policy measures addressing many, if not all, of the issues raised by its critics.

The change in Bank's thinking and policy language reflects what is happening at the global scene. The series of international events and processes in which the Bank's member governments have participated have resulted in a bundle of commitments addressed to a whole range of issues concerning human survival. The Bank itself has been a participant in the United Nations' summits in Rio, Cairo and Copenhagen, among others. The Bank is not only privy to all the commitments made but is also somehow bound by them.

The Bank has committed to integrate all of its declared policy reforms in its project practice. The Bank's 50:50 project mix goal (50 percent traditional growth projects and 50 percent social and environment projects) set in 1991 provides the framework for this integration. ADB claims that its 50:50 promise is superior to the UNDP's (United Nations Development Program) 20:20 compact. (This 20:20 compact was proposed but failed adoption during the 1995 Copenhagen Social Summit.) The UNDP's 20:20 formula proposes a matching arrangement of 20 percent of ODA and 20 percent of national budget of recipient government to be dedicated to social spending.

The 30-year history of the Bank is not all about lending. Part of it, specifically the last five years, indicates a change for the better. What value we put to it remains to be a strategic question.

## TEST OF THE PUDDING

There is a whole of difference between making a commitment and actually making good of it. As is often the case, word hardly squares with practice. Surely, the Bank faces a tall order in breaking away from a deep-seated culture and practice and embarking on the path of change.

Many fundamental issues pertaining to equity and sustainability remain outstanding. These issues originate from the very core of the dominant development paradigm. Debates around these issues must continue. The battle for word, as it were, is not yet over.

However, it is about time we started collecting on the promises. For this we will need a strong civic watch over the Bank to make sure that commitments get pushed to their logical end. A strong civic watch means a regionwide network of voluntary organizations capable of engaging the Bank and its member governments not only in discourse but more specially in monitoring compliance with promises.

The Bank's 50:50 "compact" for a socially and environmentally responsible development, despite its limitations, provides a framework for the convergence of policy reforms. Its realization may very well be the litmus test for the Bank's sincerity to reform.

Along this line the following action agenda is being proposed:

**Guard the pipeline.** It is important to mind the Bank's program and project cycles. The simple questions asked and the data extracted from Appraisal Reports (AR) to establish costs and benefits as shown in Project Profiles are the same fundamental questions that should be asked and answered at every stage of the cycle: 1) at project identification; 2) during initial analysis, design and processing of the project; 3) throughout project implementation; and 4) at post-evaluation. Here, Mission Leaders and Program Officers are the people to engage since they play a key role in seeing through the loan projects from the planning to commitment stage. At any point, throughout the project preparation stage, especially early in the cycle, it is important to focus on the Executive Directors since they are the final decision makers apart from being "initiators" and "lobbyists" of projects on behalf of borrowing countries.

**Engage the borrower.** "Talk to your government" is a standard Bank reply to NGO lobbyists. We should take this advice seriously, without giving up on our criticism of the Bank's own responsibility for pushing money out the door, among other shortcomings. Up till now we have been concentrating more on the Bank management and staff than on its borrowing owners, the DMCs, who are becoming less and less inclined to spend for human development priorities and environment protection. If only the borrowing DMCs had reflected these concerns adequately in their loan proposal, there would be little need to lobby the Bank.

**Ground test .** It can and does happen that social and environmental concerns built into the project design get watered down or ignored in the course of implementation. Preventing this from happening is the least that must be done from the moment the loan project becomes effective. The yearly summary of Bank loan projects by strategic development objectives from 1992 to 1995 provides us with a useful navigation map for project tracking on site. On a per project basis, Project Profiles, with their cost and benefit appraisals, are very useful guiding, monitoring and evaluation tools. Lobbyists and affected local communities must take full advantage of these instruments.

**Monitor the private sector.** Private sector participation in the Bank's co-financed projects is definitely on the rise. Already, the Bank's share of financing is proportionately declining against the financial share of private sectors, especially in traditional growth projects where the application of the 50-50 target is found to be weakest. As this trend goes full swing, we can expect increasing adverse effects on affected local communities and their living environments. Since the private sector is less subject to social and environmental "conditionalities" than the borrowing governments, the prospects of meeting the 50-50 target mix will be in a difficult fix indeed. We need to devise effective strategies for engaging the big money interests. The current buzzword of corporate citizenship, whatever it means, should translate into monitorable corporate responsibility to people and the environment.

**Make an ally of the Bank.** The Bank can and should be an ally in the pursuit of equitable and sustainable development. In face of a rampaging privatization, characterized by progressive dismantling of protection for the poor and the environment, the last thing we want is one more enemy. We can argue endlessly about whether the Bank is a friend or an enemy, with good reasons either way. What is more important, we should continue to be critically constructive even as we explore avenues of cooperation within or beyond the parameters of the 50:50 project mix goal. Vision or reality, the

Bank's 50:50 deal suggests many possibilities for working together toward a common future in this part of our planet.

Finally, a word of caution. Some of us may be worried about some Bank people trying to call our bluff. We need not be apologetic about knowing only so much. After all, it takes a while to decode and get used to the Bank's technical mumbo-jumbo. Why don't we instead call the Bank's bluff? Like the affected communities, we have a right to do so.



*Appendix 1*  
*Social Dimensions Project Profile. Summary Cost Allocation Table (Planning and*  
*Commitment Stage Classifications)*  
*(All amounts in US\$ millions)*

Serial	Country	Loan No.	Date Approved	Source	Amount (US\$ Mil)	Economic Growth	Poverty Reduction	Women In Devt	Human Res. Devt	Env. Protection	Planning Stage	Commitment Stage
1	THA	1151	9 Jan 92	OCR	434.5	100.0%					I	I
2	MON	1152	9 Jan 92	ADF	5.5	100.0%					I	I
3	PNG	1153/1154	14 Jan 92	OCR/ADF	97.6	91.9%			.28%	5.3%	IV	I
4	COO	1155	14 Jan 92	ADF	1.5	100%					I	I
5	NEP	1156	15 Jan 92	ADF	14.6	54.1%	1.4%	4.1%	33/6%	6.8%	I	I
6	INO	1157	4 Feb 92	OCR	318.4	95.1%			4.9%		I	I
7	INO	1158	4 Feb 92	OCR	14.0				2.1%	97.9%	III	III
8	BAN	1159	27 Feb 92	ADF	48.1	86.7%	13.3%				IV	I
9	INO	1160	19 Mar 92	OCR	250.0	100.0%					I	I
10	IND	1161	26 Mar 92	OCR	250.0	90.0%				10.0%	I	I
11	PRC	1162	31 Mar 92	OCR	328.0	70.4%			6.9%	22.7%	I	IV
12	PHI	1163	23 Apr 92	ADF	55.0	29.6%	61.9%		8.5%		IV	II
13	FIJ	1164	18 Jun 92	OCR	78.0	78.7%			12.3%	9.0%	I	I
14	NEP	1165	25 Jun 92	ADF	25.0		60.4%	9.2%	23.6%	6.8%	II	II
15	SRI	1166	25 Jun 92	ADF	40.0	57.3%	39.5%	0.5%	2.5%	0.3%	IV	IV
16	PRC	1167	25 Jun 92	OCR	533.0	90.0%					I	I
17	PRC	1168	2 Jul 92	OCR	166.0	99.8%			0.2%		I	I
18	THA	1169	2 Jul 92	OCR	370	99.7%			0.3%		I	I
19	THA	1170	16 Jul 92	OCR	349.1	100.0%					I	I
20	COO	1171	16 Jul 92	ADF	2.5	100.0%					I	I
21	INO	1172	4 Aug 92	OCR	2360.5	100.0%					I	I
22	BAN	1173	4 Aug 92	ADF	43.0				100.0%		II	II
23	MAL	1174	6 Aug 92	OCR	151.0	100.0%					I	I
24	PRC	1175	13 Aug 92	OCR	109.7	70.0%	30.0%				IV	IV
25	THA	1176	18 Aug 92	OCR	177.0	100.0%					I	I
26	PRC	1177	24 Sep 92	OCR	364.8	100.0%					I	I
27	PRC	1178	24 Sep 92	OCR	233.7	83.7%			0.7%	15.6%	IV	I
28	PAK	1179	24 Sep 92	ADF	41.0	12.4%	72.0%	1.7%	13.9%		IV	II
29	LAO	1180	8 Oct 92	ADF	30.0	100.0%					I	I
30	IND	1181	27 Oct 92	OCR	443.0	97.4%				2.6%	I	I
31	BAN	1182	27 Oct 92	ADF	17.2				100.0%		II	II
32	SRI	1183	5 Oct 92	ADF	25.0		88.4%		1.6%	10.0%	IV	II
33	INO	1184	5 Nov 92	ADF	50.1		89.6%		10.4%		II	II
34	PAK	1185	5 Nov 92	ADF	206.9	81.5%			15.2%	3.2%	I	I

Serial	Country	Loan No.	Date Approved	Source	Amount (US\$ Mil)	Economic Growth	Poverty Reduction	Women in Devt	Human Res. Devt.	Env. Protection	Env. Protection	Commitment Stage
35	INO	1186	12 Nov 92	OCR	125.4	19.5%	78.1%	0.2%	2.2%		II	II
36	INO	1187	12 Nov 92	ADF	40.8		42.4%	11.8%	3.4%	42.4%	III	III
37	PRC	1188	17 Nov 92	OCR	250.1	55.3%	43.9%		0.8%		IV	IV
38	SRI	1189	17 Nov 92	ADF	33.8				100.0%		II	II
39	LAO	1190	17 Nov 92	ADF	31.2		19.9%		80.1%		I	II
40	PHI	1191/1192	19 Nov 92	OCR/ADF	127.0	20.0%	40.0%			40.0%	III	III
41	SAM	1193	19 Nov 92	ADF	10.9	74.3%				25.0%	I	IV
42	INO	1194	19 Nov 92	OCR	174.9			19.4%	80.6%		II	II
43	THA	1195	24 Nov 92	OCR	211.2	98.8%			1.2%		I	I
44	NEP	1196	24 Nov 92	ADF	15.7			15.9%	84.1%		II	II
45	MAL	1197	26 Nov 92	OCR	208.0				100.0%		IV	II
46	INO	1198	26 Nov 92	OCR	250.0		25.0%		75.0%		IV	II
47	CAM	1199	26 Nov 92	ADF	77.8	89.6%			10.4%		I	I
48	PAK	1200	1 Dec 92	ADF	77.4			50.0%	50.0%		II	II
49	SRI	1201	1 Dec 92	ADF	33.0	48.8%	33.0%	15.9%	2.3%		IV	IV
50	BAN	1202	3 Dec 92	ADF	70.0	50.0%	44.9%			5.1%	IV	IV
51	INO	1203	8 Dec 92	OCR	56.0				6.8%	93.2%	III	III
52	SRI	1204	8 Dec 92	ADF	36.0		13.6%		71.4%	15.0%	IV	II
53	PRC	1205	10 Dec 92	OCR	219.0					100.0%	IV	III
54	PRC	1206	10 Dec 92	OCR	120.0	100.0%					I	I
55	PHI	1207	10 Dec 92	OCR	230.0	100.0%					I	I
56	IND	1208	15 Dec 92	OCR	300.0	100.0%					I	I
57	PAK	1209	15 Dec 92	ADF	396.0	100.0%					I	I
58	PAK	1210	15 Dec 92	ADF	71.3			26.4%	73.6%		II	II
59	PNG	1211	15 Dec 92	OCR	21.0		17.6%		82.4%		IV	II
60	IND	1212	17 Dec 92	OCR	363.0	17.6%				82.4%	IV	III
61	BAN	1213	17 Dec 92	ADF	37.4		45.5%	32.6%	21.9%		II	II
62	LAO	1214	21 Dec 92	ADF	36.7	100.0%					I	I
63	BAN	1215	21 Dec 92	ADF	104.1	40.0%	40.0%	20.1%			IV	IV
64	PHI	1216	22 Dec 92	OCR	131.7	10.0%	90.0%				II	II
65	PHI	1217	22 Dec 92	OCR	2.9	100.0%					I	I
					11496.0	76.1%	7.2%	1.2%	8.2%	7.3%		

[illegible]

*Appendix 3*  
*1994 Loan Approvals by Strategic Development Sector*

DMC/LOAN NO.	PROJECT NAME	Amount in \$ million		
		QGR	ADF	TOTAL
TRADITIONAL GROWTH				
BAN-1298	Jamuna Bridge	--	200.00	200.00
BAN-1310	Railway Recovery Program	--	80.00	80.00
CAM-1345	Power Rehabilitation	--	28.20	28.20
PRC-1305	Jing-Jiu Railway Technical Enhancement	200.00	--	200.00
PRC-1318	Hunan Lingjintan Hydropower	116.00	--	116.00
PRC-1324	Heilongjiang Expressway	142.00	--	142.00
PRC-1325	Yunnan Expressway	150.00	--	150.00
IND-1343	Industrial Energy Efficiency	150.00	--	150.00
INO-1320	Sumatra Power Transmission	272.00	--	272.00
INO-1321	West Lampung Emergency Reconstruction	--	18.00	18.00
INO-1335	Eastern Islands Roads (Sector)	180.00	--	180.00
KAZ-1337/ 1338	Special Assistance	40.00	20.00	60.00
KGZ-1342	Special Assistance	--	40.00	40.00
LAO-1308	Nam Ngum-Luang Prabang Power Transmission (Suppl.)	--	4.00	4.00
LAO-1329	Theun-Hinboun Hydropower	--	60.00	60.00
MON-1300	Telecommunications	--	24.50	24.50
PAK-1314/ 1315	KESC Sixth Power (Sector Loan)	100.00	100.00	200.00
PAK-1323	Sukkur Bridge	45.00	--	45.00
PNG-1330	Rabaul Emergency Program	--	0.50	0.50
PHI-1322	Fourth Road Improvement (Suppl.)	23.50	--	23.50
PHI-1333	Airport Development	41.00	--	41.00
SRI-1302	Fourth Development Finance Loan	--	75.00	75.00
SRI-1312	Third Road Improvement	--	55.00	55.00
THA-1306	Regional Roads (Sector)	170.00	--	170.00
TON-1303	Transport Infrastructure	--	10.00	10.00
VIE-1340	Agriculture Sector Program	--	80.00	80.00
Sub-Total		1,629.50	795.20	2,424.70
SOCIAL CONCERNS				
PRC-1313	Dalian Water Supply	160.00	--	160.00
COO-1309	Pearl Industry Development	--	0.82	0.82
COO-1317	Education Development	--	2.70	2.70
INO-1299	Rural Health and Population	40.00	--	40.00
INO-1319	Vocational and Technical Education	85.00	--	85.00
INO-1339	Capacity Building Project in the Water Resources Sector	27.70	--	27.00
RMI-1316	Health and Population	--	5.70	5.70
PAK-1301	Social Action Program (Sector)	--	100.00	100.00
PHI-1331	Women's Health and Safe Motherhood	--	54.00	54.00
THA-1326	Chonburi Water Supply	38.50	--	38.50
Sub-Total		351.20	163.22	514.42

*Appendix 3*  
*1994 Loan Approvals by Strategic Development Sector*

ENVIRONMENT				
PRC-1336	Beijing Environmental Improvement	157.00	--	157.00
Sub-Total		157.00	--	157.00
GROWTH-ORIENTED WITH SECONDARY FEATURES TO SOCIAL/ENVIRONMENTAL CONCERNS				
PRC-1304	Yunnan-Simao Forestation and Sustainable Wood Utilization	77.00	--	77.00
PRC-1328	Qitaihe Thermal Energy and Environmental Improvement	165.00	--	165.00
INO-1296	Second Integrated Irrigation Sector	100.00	--	100.00
INO-1327	Microcredit	--	25.70	25.70
MAL-1307	Fisheries Infrastructure Improvement	22.60	--	22.60
MON-1334	Power Rehabilitation	--	40.00	40.00
NEP-1311	Irrigation Management Transfer	--	12.91	12.91
PAK-1297	Third Punjab On-Farm Water Management	--	62.16	62.16
PHI-1332	Rural Infrastructure Development	--	17.50	17.50
VIE-1344	Red River Delta Water Resources Sector	--	60.00	60.00
Sub-Total		364.60	218.27	582.87
TOTAL		2,502.30	1,176.69	3,678.99







# ***The Asian Development Bank Campaign: Practical Lessons for Social Activists***

**Antonio B. Quizon**

**A**fter several years of intense Asian Development Bank (ADB) campaigning and lobbying, we have to admit we are just beginning to break new ground, and we now realize that we need new skills. Indeed, public advocacy work today has grown very different from what it used to be.

Before, when we campaigned on issues such as agrarian reform or anti-logging, we utilized Community Organizing (CO) approaches which had been carefully nurtured through years of practical field experience. We brought communities to confront "enemies," which were more easily recognizable and personified (i.e. landlords, loggers, politicians). Our messages were also rather straightforward and had public appeal — i.e., "land-to-the tiller" or "institute a log-ban".

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Presentation at the Skillshare Session: NGO Strategies in the ADB and World Bank Campaigns, organized by the NGO Working Group on the ADB, held on 2 February 1995 in Quezon City, Philippines.



Yet today, we find ourselves working under very different conditions, albeit we confront the same fundamental issues and problems. In the face of rapid market globalization and the strengthening of financial institutions (i.e. multilateral development banks) as global power centers, we find ourselves confronting "faceless" public institutions, which we are supposed to "own," yet do not really know. We are forced to experiment with new campaign strategies, in which we have had no previous experience.

Indeed, this has been our own story in the ADB Campaign. For until today, we continue to learn from a process which we started in 1988. In the beginning, we had no fixed blueprints and no proven strategies as our working guide. What we had was just a firm rationale for our actions. Creativity was our guide.

Thus, we need to reflect on past actions and to review what we may have done right or wrong.

### WHY MDBs?

The most basic question NGOs often ask is: why target Multilateral Development Banks (MDBs)? First, MDBs are global financial powers in their own right, given the very scope and extent of their project funding. They pour in tremendous amounts of resources to borrowing countries, and hence influence (and oftentimes force) the development priorities and directions that these countries take. Over the past 50 years, the World Bank has lent some \$300 billion to over 6,000 projects worldwide; the ADB itself has lent out some \$50 billion to 1,300 projects in developing countries in its past 27 years.

Yet, the total amount that MDBs "move" is actually much greater than is stipulated, for they bring in co-financing and guarantee arrangements with private banks for their projects. Out of the \$36 billion foreign debt of the Philippines, for instance, only about \$4.5 billion is actually owed to the World Bank. The rest consists of foreign and domestic borrowings from over 200 bilateral and commercial sources—much of it through co-financing arrangements.

Similar to military invasions, MDBs also provide the "beachheads" for the entry of corporate investments, for which point is Indochina, for which some 76 major projects are now lodged in both the WB and ADB pipelines to cost an estimate \$ 14.7 billion. Similar to "commando troopers", these MDB loans will "parachute from the sky" over the next few years to build ports, airports, communications systems and other infrastructure; co-financing arrangements will further ensure the entry of private banks — all

these to pave the way for the main invasion of foreign capital. In short, public funds are used this way to subsidize not only private, but corporate investments. Yet, this is not merely an incidental, but a deliberate strategy premised on a "growth-at-all-costs" paradigm.

Given the amount of influence that MDBs wield, it becomes important for NGOs to influence their lending, policies and institutional frameworks which shape the development agenda of poor, borrowing countries.

Secondly, MDBs themselves are public institutions, created by governments through public funds. Thus, they must be made fully accountable for their actions. Yet, the sad reality is that MDBs have begun to take a life of their own over the years, with little or no systems of public accountability. Their highly de-personalized bureaucracies effectively shield officials from the consequences of their actions. By their very statutes which have been ratified by member-governments, the World Bank and the ADB enjoy immunity from all suits and legal damages, and are not covered by any international or domestic court, not even by the United Nations. Put simply, there is no legal recourse. This means that no Bank official may be litigated for any official act, regardless of the amount of damage a project or policy may do to a community's life, property or environment. At best, an official may lose his/her job, or an affected country may opt to withdraw its membership — yet the Banks' operations will continue.

The World Bank's so-called "Wapenhans Report" itself admits a 40 percent failure in WB projects, while the ADB's Task Force on Project Quality similarly admits a 40 percent "failure". Yet, no one is held directly liable for such failures, and citizens of borrower-countries continue to repay even bad loans.

Also, MDBs impose heavy internal secrecy, and there is virtually no system of public access to information. There are well-documented cases where even members of the Board of Directors themselves have been denied access to vital internal information by lower echelon Bank staff.

Thirdly, given their vast financial powers, MDBs also represent a system of increasing control and domination by the North over the South. Lenders tend to determine the directions of development among borrowers.

Aside from loans, there are direct interventions in domestic policies, by way of structural adjustment programs (SAPs). These include, i.e. privatization of state enterprises, forex currency adjustments, and removal of subsidies.

## Engaging the Asian Development Bank

It should be noted that in 1992, 70.6 percent of global GDP (\$12 trillion out of \$17 trillion) was controlled by only seven countries of the world, or by the G-7 countries. Much of this "wealth" is controlled through corporations. In 1990, for instance, the assets of the 10 largest financial groups were worth \$3.6 trillion, equivalent to four times the GDP of 43 least developed countries, or 22.5 percent of OECD countries (24 richest countries of the world).

Fourthly, MDB lending and policies have caused vast social displacement and environmental damage to communities. An internal World Bank document itself admits that over 800,000 people in the Indian subcontinent alone have been displaced by projects financed by World Bank lending, or what we may term as "development refugees". Much of the social displacement have been caused by mega-dam projects; indeed, the World Bank has spent over \$50 billion for some 500 dam projects around the world. Yet, more such projects are now being processed in the pipeline.

Finally, MDB operations raise serious questions about the short and long term impacts of increasing global indebtedness. Indeed, because of growing debt repayments, there has been a reverse net flow of resources from South to North since 1987.

Foreign debt repayments imply the expatriation of scarce resources which indebted countries need for domestic development. The Philippines, for instance, spends about 40 percent of public expenditures on debt servicing alone. Foreign debt also means that it must be repaid in foreign exchange, or by increasing export returns. Hence, for poor countries having little or low-level industries, this simply means the actual export of their raw materials and natural resources (logs, cash crops) which often impacts through an accelerated destruction of their environments. Increasing exports also means increasing domestic competitiveness, and this implies imposing low, competitive wages, longer hours and poor labor conditions, lowering one's environmental standards, and imposing higher taxes on citizens.

Much of MDB lending has gone to governments ruled by dictatorships, which have no accountability to their citizens. It is also not surprising that the largest debtors today are also those countries which are resource-rich, and have large populations (or vast, potential markets) — i.e. Brazil and Indonesia.

Debt is a real mortgage of a people's future.

## A PROFILE OF THE ADB

We have circulated among you a copy of the document entitled "The ADB at a Glance". This gives a fair overview of the ADB as an institution. But there are other key characteristics which I would like to highlight:

First, ADB itself has been created by pooled public funds, allocated by member- governments — through congressional budgeting. Thus, they are both a public entity as well as a multilateral, public business enterprise.

This raises the importance of having a joint North-South citizens' campaign on MDBs. Northern publics would like to raise the issue: "is taxpayers' money being used wisely?" But for Southern publics, their stake is much more, for they must live the consequences of borrowings, including social and environmental impacts, as well as the long-term consequences of foreign debt. But until today, I feel that there is another angle which Southern publics have not fully realized — that they, too, are taxpayers and contributors to Bank funding. Even the Philippines, for instance, owns a two percent share in the ADB.

Secondly, ADB is managed according to the rules of a corporation. Voting rights are determined by the amount of subscribed capital shares. Simply put, you "buy" your votes, and your voice will always be as strong as the size of your wallet. It is unlike the UN system of "one nation, one vote" where 52 African countries get 52 votes, and Japan and the US are entitled to just one vote apiece.

Among the 55 member-countries of the ADB, Japan has the largest voting share with 22 percent, and the US comes second with 11 percent. Together, they account for one-third of all the voting shares. Nineteen non-borrowing (donor) countries wield a 60 percent control over all voting shares. Over the past 28 years, the ADB President has always been a Japanese, in much the same way that the World Bank has always been headed by an American and the IMF by a European. These are part of the unspoken global agreements on power-sharing.

The ADB has 12 seats in its Board of Directors, and this, too is determined by voting rights. Thus, there are automatic Board seats for Japan, the US and China; others go into pooled votes, which themselves make up for an interesting study. The Philippines, for instance, is lumped with Pakistan and not with Indonesia or Malaysia; India is not pooled together with either Pakistan or Sri Lanka; Australia is traditionally grouped with some Pacific island-states. Geo-political tensions and interests are reflected in such groupings.

Thirdly, the ADB operates first as a banking institution, and only secondly as a development institution.

The ADB's main business is to "sell" loans, premised on its working principle that poor countries need to borrow more money, in order to develop. It provides two types of loans — a Main Fund which charges prevailing international market rates, and a smaller soft-loan window, called the "Asian Development Fund" which provides loans at concessional interest rates. It is the concessional lending which makes the Bank call itself a "development institution".

One key appraisal criteria for all projects is "return on investments" (ROI) and "rates of return" (RRs). Hence, the main lending tends to be in infrastructure and traditional "growth" projects, where returns are much more easily understood and computed by economic planners. Bank staff and consultants take an active role in project formulation and design, and tend to be evaluated based on the amount of loans moved, rather than on the quality of their loans; annual lending targets are set. Bank staffing itself is heavily dominated by economists and engineers.

Finally, ADB lending is heavily linked up to the private sector. Aside from co-financing arrangements (which totaled \$ 17.4 B as of 1993), ADB's lending provides a large market for private contractors. A bidding system is worked out jointly by ADB and the borrowing government.

### **THE ADB CAMPAIGN**

The ADB in its first 20 years went along its business unchallenged. In 1987-88, ANGOC and the Friends of the Earth - US started the campaign with a message that "MDB lending can never save the environment in the long run". For the long-term consequences of foreign debt is that poor countries can only pay by extracting and exporting their natural resources, thus accelerating the destruction of their own environments. Initial discussions with the ADB began by "selling" ideas of a debt-for-nature swap.

The first contact made was with ADB's small Environment Office, and soon other concerns emerged. For one, this office was managed by only three professional staff with the impossible task of reviewing and monitoring over 60 ADB projects a year. Hence, initial interventions focused on strengthening this Environment Office, and on ADB's Environmental Impact Assessment (EIA) guidelines.

It was also around this time that the ADB Board had just passed its new policy on Bank's Cooperation with NGOs. This was another area that ANGOC and FOE-US focused on, by doing several regional studies and policy frameworks for the Bank on ADB-NGO relations, including the organization of the First ADB-NGO consultation in 1989.

As the dialogue progressed, other issues emerged, and the campaign began to take shape. Documented case studies of problematic ADB projects were raised. The NGOs then realized several things. First was that the ADB lacked systematic analysis of the social impacts of projects in its process of project appraisal. Secondly, the ADB lacked definitive policies on issues of forestry, energy, indigenous peoples' rights, agrarian and land rights. In the absence of a clear "handle" with which to grapple with these issues, the NGOs decided to "challenge" the ADB with the question: "what is the Bank's response to the emerging global environmental imperatives?"

The timing was ripe: global discourse was taking place at that time in preparation for UNCED, and environment was a "hot" issue.

Furthermore, the question was raised to ADB: "on what basis are loans being pushed" (in the absence of clear policies)? The Bank staff at that time, NGOs pointed out, were being evaluated by the amounts of loans moved, rather than by the quality of their projects.

Meanwhile, more NGOs began to join the Campaign. It was clear to ANGOC and FOE-US that we were setting up a campaign rather than an organization, and hence, inclusive strategies were necessary. Yet, some kind of framework was necessary. Hence, the Campaign focused on: (a) NGO participation at ADB Annual Meetings; (b) a regular newsletter for information; ongoing liaison and dialogue with the ADB in Manila; and (d) policy researches and project case studies. Every year, there would also be a meeting with the ADB President during the Annual Meeting, and an NGO letter formally presented to air collective concerns.

At the ADB Annual Meeting in Hongkong in 1991, the NGOs present decided then to create a Working Group, composed of Manila-based networks, to oversee the Campaign. Since there was lack of funding, such arrangement was the most feasible, since Manila is also the site of ADB's Headquarters.

In review, a total of 68 NGOs, POs and networks have participated in the ADB Campaign since 1988. Key changes in the ADB have occurred. The Environment Office has significantly been strengthened with additional staff and clout, and new EIA policies and processes are now in place. Over the past year, some 12 new ADB policy papers have been drafted, and two

have been passed by the Board, including a new Bank policy on Information and Disclosure. Some projects have been stopped, reviewed or amended. There are current discussions on setting-up a Bank Inspection Panel to investigate public complaints on projects, and an ongoing Bank re-structuring to shift emphasis on country-based, rather than on sector-based programming. One major change is the Bank's new Medium-Term Development Plan which sets measurable targets in portfolio lending towards a 50-50 balance in terms of number, and a 60-40 ratio in terms of loan volume, between traditional growth/infrastructure projects and environmental/social development projects.

Today, the attitude of Bank officials towards NGOs still varies widely. NGOs are seen either as a "nuisance", a "donor conditionality" (some Northern donors have been pushing for greater NGO participation in, and access to Bank operations), a "cheap sub-contractor", an "independent watchdog", and a "source of information and feedback". But for sure, the Campaign has yielded modest gains, and officially, NGOs are now better-recognized than we were a few years ago. But the Campaign still has a long way to go.

### **PRACTICAL LESSONS FOR SOCIAL ACTIVISTS: PERSONAL NOTES FROM THE ADB CAMPAIGN EXPERIENCE**

Today's Bank lobbyists are a far cry from our past image of social activists. For today we must deal with faceless institutions wherein much of the information is inaccessible, bureaucracies and power relations are much more complex, and whose value-systems and economic language seem totally alien among those of us who have spent most of our years in the voluntary sector.

Reflecting on my own personal experience in dealing with MDBs and multilateral institutions, I have drawn up some practical lessons and tips for dealing with such institutions. I would like to share them, while trying to be as simple and direct as possible.

Give primacy to local communities and to concrete work on the ground, and work in their best interest. Always link-up policy advocacy to actual grassroots work and experience; for advocacy without local action is empty. Be sensitive to the consequences that lobbying on a particular issue may bring to the affected local community, for experience shows that the embarrassment caused by exposes of bad projects may push interest groups to retaliate against local communities and NGOs.

There is a popular saying: "Think globally, act locally." But for Bank lobbyists, the reverse is also true. For they must always "think locally while acting globally", especially when trying to influence macro policies.

Build a movement or a network, not an organization. Experience shows that the best way to kill an idea is to allow a certain group or an organization to coopt it. Once this happens, the enthusiasm is lost, and much of the work is bound to be left behind with a small secretariat while the rest do nothing, or gradually fade away.

Rather, keep an overall strategy that remains as inclusive as possible. In a real "network", all those who work must be considered as part of the "net", and they may vote themselves to be "in" or "out" — depending on their actual work and contribution. In the ADB Campaign, NGOs which have had very specific projects to lobby on, have joined the campaign only at particular points in time.

A core group may be important to maintain continuity and a sense of history, and to ensure the momentum of the ongoing dialogue with the Bank.

Attend and focus key activities at the Annual Bank Meetings, for it is the only occasion which gathers all the Bank's stockholders and stakeholders in one huge "marketplace" — Finance Ministry officials of member-governments, Bank officials and staff, private banks and investors, prospecting sub-contractors and international media.

The Annual Bank meetings have also served as a focal occasion for NGOs to forge consensus positions on key issues. Over the past five years, the Campaign has organized an NGO Strategy Meeting 1-2 days immediately prior to the Annual Meeting. One key agenda of this meeting has been to draw up a consensus document, in the form of a "Letter to the ADB President". The very proximity of this NGO Meeting to the ADB Meeting actually creates an "artificial crisis" which has forced all NGOs present to think, debate and to arrive at some consensus agreement.

At Annual Meetings, utilize the presence of international media. Hence, over the past five years, there has always been an NGO press conference at the Annual Meeting.

Hone communication skills. Deliver your message straight. Also, concentrate on just one central message.



## Engaging the Asian Development Bank

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Don't just sing to the choir. Address your messages directly to the concerned Bank and Government officials. The common mistake of most NGOs is that they tend to share around too much information with fellow-NGOs who need no further convincing, rather than to the institutions from whom they seek action.

Find natural allies within the Bank, but always keep a professional distance. Be firm with your allies when certain demands are being discussed, and they will respect you for this. But never embarrass them with colleagues or in front of superiors.

Utilize vital information said in confidence, but always respect and protect confidential sources.

Always keep the broader view that regardless of their actual views, those Bank officials who are willing to dialogue with NGOs are likely to be already the most progressive within the institution. Those who need convincing the most are those who refuse to meet with NGOs. Thus, discuss with them firmly, but with respect.

Involve the affected communities directly in Bank dialogues. For officials can always argue the veracity and reliability of NGO-presented data, but they can never ignore it when the communities themselves speak out. When a community representative, for instance, says that they don't want a certain project, no amount of Bank data or statistics can dispute this point. Also, oftentimes Bank and Government officials prefer to talk with NGOs, and wittingly or unwittingly use them as a "buffer", because they cannot deal directly with the affected communities. Always be on the guard against this. As an NGO, avoid being dragged into playing the role of a "messenger", or a "mediator" between the Bank and the community. Indeed, it is the role of the Bank and Government to inform and consult with the local community, even before they consider any project.

Money talks. The Bank is most vulnerable and is most likely to listen when its own budget is on the agenda, such as during discussions of capital replenishment. Heighten the campaign for reform during such occasions. In 1994, for instance, the ADB was pressured to draft some eight major policy papers during the period of discussion on ADB's proposed General Capital Increase (GCI). Pressures for reform came mainly from certain member-governments, and from the NGO Campaign.

Explore possible actions through governments. Borrow the "democratic space" available in other countries. In the ADB Campaign, for instance, vital information on the Bank is often retrieved and shared through the US

NGO lobby groups based in Washington D.C. This highlights the need for information flow in an international Campaign.

Combine a hard and soft approach. A Campaign is not all meetings and dialogues. It combines with other forms of pressure, including public rallies and other forms of local resistance.

Study and understand the system well. From experience, for instance, we have learned that there are two factors which can "convince" the Bank to stop an ongoing ADB project: (a) non-compliance with EIA requirements; and (b) withdrawal from the project by the co-financing institution. It came somewhat as a surprise, for instance, that a negative social impact (such as a forced eviction of communities) had no similar power of force majeure over projects.

Present concrete demands, not just complaints. Always pin down such demands on specific actions, i.e. funding questions, target dates and deadlines, and measures of compliance.

Finally, always insist on putting down all agreements in writing. Bureaucracies value paperwork. Officials invariably tend to respond only to written arrangements, and to forget or ignore verbal agreements. If any commitments are made in a meeting or through a phone call, take time out to write this down, and send it back to the official concerned as proof or reminder that a commitment has been made. If the commitment made is deemed very important, furnish a copy to his/her colleague or superior.

## POSTSCRIPT

The long-standing NGO debate which has been going on since the ADB Campaign started seven years ago has been: "should we work for the dismantling of MDBs? or should we continue to work for Bank reforms?" This debate has also been reflected in the "Fifty Years is Enough" Campaign on the World Bank. This debate is likely to continue for some more time, and is not likely to be permanently resolved even among those of us already involved in the ADB Campaign. There are arguments of how realistic the prospects are, on both sides.

We have opted at the moment to work for reforms, because Bank lending continues to impact on the lives of local communities and poor sectors, and is not likely to fade away in the foreseen future.

Multilateral Development Banks are merely one part of the global aid system, yet are perhaps the most potent. And the system of selling

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international loans will continue, for as long as certain countries see such form of aid to be in their best interest — as a means to “invest” excess domestic capital, to create new markets, and as instruments/extensions of foreign policy. If MDBs were to be dissolved today, such funds would surely find their way into other channels — perhaps in the form of a “European Union Fund”, a “NAFTA Fund” or an “APEC Fund”, and for sure, through enlarged bilateral financing. Would such channels likely turn out to be more accountable?

In the course of our interventions, we have learned much in particular about how the MDB system works. In the process, we have also realized how in the light of the rapidly changing global economy and institutions, we must find additional means and strategies for empowerment, especially when confronted by “faceless” institutions. And although I have shared some of my lessons here, we are all really just beginning.







# ***Towards Developing the NGO Position on the Asian Development Fund***

**Filomeno S. Sta. Ana III**

**T**he function of the Asian Development Fund (ADF) is to finance the Asian Development Bank's (ADB) concessional lending portfolio. The loans sourced from ADF are practically interest-free, only having a nominal service charge of one percent per year. Furthermore, the ADF loans are repayable over a period of 35 or 40 years, plus a grace period of 10 years.

## **ADF PROFILE**

Established in 1968, the ADF resources grew to US\$ 19,444.8 million by end-1994. Total ADF resources are made up of a) contributed resources from donor member countries and b) additional resources. The item "additional resources" includes set-aside resources, transfers from the technical assistance special fund, unrealized investment holding gains, accumulated translation adjustments, and accumulated surplus.

"Contributed resources" (US\$ 18,394.19 million) had an overwhelming 95 percent share of the total ADF resources by end-1994. "Additional resources" totaled US\$ 1,050.63, accounting for the remaining five percent. The top five countries with the biggest contributed resources as of 1994 were: Japan (US\$ 10,345.05 million), the United States (US\$ 2,087.91 million), Germany (US\$ 1,160.98 million), Canada (US\$ 902.56

million), and Australia (US\$ 791.85 million). Japan clearly led—and continues to lead—the pack.

The ADB has classified developing member countries (DMCs) into three groups, to determine which countries qualify to access ADF loans. As a general principle, only “the poorest (low per capita GNP) and least creditworthy DMCs are eligible to receive ADF resources.” As listed in the ADB Ready Reference (January 1995), the three groups are:

**Group A:** Afghanistan, Bangladesh, Bhutan, Cambodia, People’s Republic of China, Cook Islands, India, Kiribati, Kyrgyz Republic, Lao People’s Democratic Republic, Maldives, Marshall Islands, Federated States of Micronesia, Mongolia, Myanmar, Nepal, Pakistan, Solomon Islands, Sri Lanka, Tonga, Tuvalu, Vanuatu, Vietnam, and Western Samoa.

**Group B:** Indonesia, Kazakhstan, Papua New Guinea, Philippines, and Thailand.

**Group C:** Fiji, Hong Kong, Republic of Korea, Malaysia, Singapore, and Taipei (China).

All countries under Group A, except the People’s Republic of China and India, are fully eligible to receive ADF loans. Group B countries, except Thailand, are eligible to access a limited amount of ADF resources. Group C countries, having already reached a higher level of growth and development and having access to international capital markets, are disqualified from sourcing ADF loans.

In 1994, member countries that received ADF loans were Bangladesh, Cambodia, Cook Islands, Kyrgyz Republic, Lao People’s Democratic Republic, Marshall Islands, Mongolia, Nepal, Papua New Guinea, Sri Lanka, Tonga, and Vietnam. Four member countries received both OCR (Ordinary Capital Resources) and ADF loans, namely: Indonesia, Kazakhstan, Pakistan, and the Philippines. Four debtor member countries (China, India, Malaysia and Thailand)—ineligible to obtain ADF resources—received OCR loans. Incidentally, OCR loans comprising subscribed capital, reserves and borrowed funds are available to DMCs that have attained a relatively higher level of development.

From 1968-1994, the main recipients of cumulative ADF loans were Pakistan (29 percent of ADF loans), Bangladesh (27.6 percent), Sri Lanka (10.3 percent), Nepal (6.4 percent), and the Philippines (6.3 percent). For 1993-94, the biggest country recipient of ADF lending was Bangladesh (24.7 percent of total ADF lending for the period). Second was Pakistan,

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with a 22.8 percent share of the total. Vietnam—which rejoined the ADB in 1993—came third, with a 16.2 percent share.

The sectoral distribution of 1994 ADF loans in terms of value favored traditional growth projects. Transport and communications topped the list, amounting to US\$ 369.5 million. Agriculture and agro-industry and energy followed, with totals of US\$ 259.09 million and US\$ 232.2 million, respectively. Loans for social infrastructure amounted to US\$ 162.4 million. In terms of number of projects in 1994, the agriculture and agro-industry sector accounted for seven projects. The energy sector and the transport and communications sector had five each. Social infrastructure had four projects.

The ADF lending amounted to US\$ 1,176.6 million in 1994. This marked a nine percent decline from the 1993 figure of US\$ 1,297.5 million. The decline in ADF lending, however, is not as sharp as the 36 percent drop in OCR lending (from US\$ 3,933.8 million in 1993 to US\$ 2,509.8 million in 1994).

ADF investments likewise fell by about 15 percent, from US\$ 725 million in 1993 to US\$ 614 million in 1994. Bank instruments (e.g. deposits) in member countries made up 75 percent of ADF investments in 1994, and securities issued or guaranteed by governments of member countries accounted for the remaining 25 percent.

The rate of return on ADF investments in 1994 dropped to 4.4 percent, compared with the 5.5 percent rate of return in the previous year.

Of the loan approvals for both OCR (US\$ 6,443.6 million) and ADF (US\$ 2,474.2) in 1993-94, the ADF share was 27.7 percent of the total value (US\$ 8,917.8 million). Compare this with the figures for the 1988-92 period: OCR and ADF loan approvals amounted to US\$ 14,017.8 million and US\$ 6,428.3 million, respectively, for a combined total of US\$ 20,446.1 million. The ADFshare for 1988-92 was equivalent to 31 percent of combined ADF and OCR loans. To have a broader picture, between 1983 and 1987, the ADF share vis-à-vis the value of total ADF and OCR loan approvals was 34.8 percent.

In short, the trend since the first half of the 1980s shows a declining share of ADF loan approvals in relation to the total value of approved OCR and ADF loans.

By end-1994, the so-called total ADF commitment authority stood at US\$ 2,099.4 million. This meant that the maximum amount for ADF lending based on available resources was US\$ 2,099.4 million.



## ISSUES

At present, the ADF faces three major issues.

The first issue is the need to increase total committed resources from the creditor countries through ADF VII, given the rapidly expanding financial requirements of borrowing member countries. A source of additional pressure to increase ADF resources is the demand of new borrowers like Vietnam and the Central Asian republics. The ADB, too, has to consider the strong lobby for China and India to access the ADF.

The ADF VII replenishment, however, is beset with funding commitments. The expected contribution from the United States (US), for example, would be much less than what it committed to ADF VI.

But even before the ADB can decisively address the issue of ADF VII replenishment, it must ensure the completion of contributions to ADF VI. This is the second issue.

The ADF VI replenishment merits special attention. The ADB Board of Governors approved the ADF VI in February 1992 in order to raise US\$ 4.2 billion over the period 1992-95. Technically, ADF VI ended in 1995. However, until now, the ADB has difficulty raising the whole amount because of the arrears incurred by the US. At present, US arrears to ADF VI amount to US\$ 337 million.

The US has failed to fully deliver its committed contributions, giving the reason that its Congress has not earmarked appropriations for the ADF. The Board of Governors' resolution (Resolution No. 214) on ADF VI allowed the United States and Canada to subject their ADF contributions, except the first tranche, to budgetary appropriations.

As a reaction to the delayed contributions of the United States, other donors invoked their right to reduce the amount of their subsequent tranches, until the United States government could fulfill its commitment. The donors that exercised this right were Austria, Belgium, Canada, France, Germany, Nauru, Spain, Switzerland, Turkey, and the United Kingdom.

The third issue is the ineligibility of India and People's Republic of China to source ADF loans. As earlier said, four borrowing member countries—India, China, Thailand, and Malaysia—cannot avail themselves of the concessionary ADF.

The exclusion of Thailand and Malaysia is understandable. The GNP per capita incomes (1993) of Thailand and Malaysia are US\$ 2,040 and US\$ 3,160, respectively. Both are rapidly growing middle-income countries that have reduced absolute poverty to a significant degree (though the quality of poverty reduction, specially in Thailand, is questionable).

But India and China belong to a different world. They are low-income countries; India's GNP per capita income in 1993 stood at US\$ 290, while that of China in the same year was US\$ 490. Moreover, absolute poverty is widespread in both countries, with poverty incidence in the two countries numbering in the hundreds of millions. (One, however, has to concede that China is now one of Asia's highly performing economies.) And even though the two countries are enjoying substantial inflows of private capital, the fact is private investments, in general, are not intended for poverty eradication.

The argument that India and China do not need the ADF because they are among the largest recipients of official development assistance (ODA) is specious. Bangladesh and Indonesia belong to the top 10 ODA recipients; yet they are ADF recipients. Preliminary data for 1994 (from the World Bank's 1996 Debt Tables, Volume I) would show that India's ODA amounted to US\$ 1.4 billion, while China's ODA added up to US\$ 3.5 billion. The ODA figures for Bangladesh and Indonesia in 1994 were in the same vicinity as India's: a little lower for Bangladesh (US\$ 1.3 billion) and much higher for Indonesia (US\$ 2.2 billion).

In light of the above data and exposition, the formulation of a progressive NGO advocacy on the ADF should consider the following points:

1. An increase in ADF resources is crucial to finance the fast-growing development needs of Asia's low-income and lower middle-income countries. Moreover, the ADF, being a concessional fund, is an instrument to transfer resources from rich creditor countries to poor borrowing countries. The NGOs must nevertheless stress that the demand to increase ADF resources is predicated on re-orienting and restructuring the ADF projects to serve the objectives of reducing poverty, promoting social equity, and protecting the environment. Both quality and quantity count.

2. A necessary first step to increase ADF resources is to complete the committed contributions to ADF VI. In this regard, the NGOs should exert pressure on the US government, specially its Congress, to immediately approve the budgetary appropriations for the ADF. In the same vein, the NGOs must lobby the ADB and the creditor governments to institute a mechanism for automatic ADF appropriations. It is disturbing, to say the

least, that a creditor government committed to ADF replenishment cannot deliver because of congressional non-approval of budgetary appropriations.

3. As part of a package to fortify the ADF, Asia's newly industrialized economies with deep foreign exchange reserves or huge balance-of-payments' surpluses should increase their share of ADF contributions. South Korea, Singapore, Hong Kong, and Taipei (China) are among the highly performing Asian economies that are in a position to provide more resources.

4. A supplementary action to augment soft-loan resources is to re-channel income generated from ADB's ordinary loans to the ADF. In this way, too, can the ADB enhance the "development" orientation of the institution.

5. The ADB should discuss the issue of ADF replenishment in relation to offering other financial windows that will directly address social and environmental concerns. A number of NGOs, for example, have proposed a civil society fund and a "clean-up" fund (a mechanism to compensate for the damage inflicted by ADB-funded projects on peoples, communities, and the environment).

6. The ADB should open the ADF to India and China, considering that the greatest number of poor peoples in Asia are concentrated in these two countries. However, the possible ADF resources for India and China should exclusively, strictly and directly be committed to poverty eradication projects and related social-environmental dimensions.

7. The ADF loans for lower middle-income countries like the Philippines and Indonesia—which are on the threshold of achieving NIC (newly industrializing country) status—should likewise be exclusively committed to poverty eradication as well as to related social and environmental projects.

8. One has to point out that a further dwindling of ADF resources in real terms, without replenishment in sight, will probably result in scrapping lower-middle income countries from the list of ADF recipients. The scarcity of resources will also further undermine the chances of India and China from sourcing ADF loans.

9. Without prejudice to financing necessary growth-oriented projects that likewise help poverty alleviation, the ADF portfolio for all qualified countries must give priority to rural infrastructure, primary education, preventive health care, women's empowerment, welfare of poor children, capability building of peoples' organizations, and environmental protection.

10. In the case of structurally adjusting countries, part of the reform agenda is to de-link ADF from adjustment policies that have a negative impact on the poor. Likewise, for these countries, ADF lending should go beyond safety-net spending.

11. Reforming the ADF likewise includes a thorough social and environmental impact assessment of all ADF projects. Further, the ADB must make transparent all ADF projects, including those that are still on the drawing boards.

The ADF, specially the replenishment question, is both an immediate and a strategic issue. The NGOs should therefore make the ADF one of its central lobby points throughout, not only during the annual Board of Governors meeting.

The progressive NGOs and the ADB can find common cause in pushing for ADF replenishment. At the end of the day, notwithstanding the US arrears and the dilly-dallying of the US and other creditor countries to contribute a bigger share, the ADF will be replenished.

The main challenge then for the NGO advocacy is to convince ADB that an ADF replenishment is not enough. The relevance of augmenting the ADF is inextricably linked to the quality and social dimension of ADF loans. The ADF must first and foremost be an instrument to fight poverty, inequity and environmental degradation.

**ANNEX 1**  
**SECTORAL DISTRIBUTION OF ADF LOANS, 1994**  
**(AMOUNTS IN \$ MILLION)**

Sector	Number	Amount
Agriculture and Agro-Industry	7	259.09
Energy	5	232.2
Industry and Non-fuel Minerals	-	-
Finance	1	75
Transport and Communications	5	369.5
Social Infrastructure	4	162.4
Multisector	4	78.5
Others	-	-
Total	26	1176.69

**ANNEX 2**  
**LENDING DISTRIBUTION AMONG DEVELOPING**  
**MEMBER COUNTRIES, 1993-1994**

Country	ADF
Afghanistan	-
Bangladesh	24.7
Bhutan	0.2
Cambodia	1.1
China, People's Republic	-
Cook Islands	0.1
Fiji	-
Hong Kong	-
India	-
Indonesia	4.3
Kazakhstan	0.8
Kiribati	-
Korea, Republic of	-
Kyrgyz Republic	1.6
Lao PDR	5.2
Malaysia	-
Maldives	0.4
Marshall Islands	0.6
Micronesia, Federal States of	0.3
Mongolia	5.4
Myanmar	-
Nepal	2
Pakistan	22.8
Papua New Guinea	1.1
Philippines	3.9
Singapore	-
Solomon Islands	-
Sri Lanka	8.6
Taipei China	-
Thailand	-
Tonga	0.4
Vanuatu	-
Vietnam	16.2
Western Samoa	0.1
Regional	-
Total	100
Loan Approvals (\$million)	2474.2

**ANNEX 3**  
**SOURCES OF 1994 LOANS (IN \$ MILLION)**

Countries	Receiving	OCR	Loans	
China,	People's	Republic		116.7
India				15.0
Malaysia				22.6
Thailand				208.5

Countries	Receiving	ADF	Loans	
Bangladesh				28.0
Cambodia				28.2
Cook	Islands			3.5
Kyrgyz	Republic			4.0
Lao	PDR			6.4
Marshall	Islands			5.7
Mongolia				64.5
Nepal				12.9
Papua	New Guinea			0.5
Sri Lanka				13.0
Tonga				1.0
Vietnam				14.0

Countries	Receiving	Both	OCR	and	
	ADF	Loans			
Indonesia					704.7 (OCR)
					43.7 (ADF)
Kazakhstan					40. (OCR)
					20. (ADF)
Pakistan					145 (OCR)
					262.2 (ADF)
Philippines					64.5 (OCR)
					71.5 (ADF)









# ***Campaign Paper on the ADB's Japan Special Fund***

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## **JSF: GENERAL INTRODUCTION**

### **What is the JSF?**

The JSF was established in 1988 under an agreement between the Bank and the Government of Japan to help the Bank's developing members restructure their economies in light of the changing global environment and to broaden the scope for new investment, thus assisting in the recycling of funds to developing member countries (DMCs). It is used to finance or co-finance:

1. Technical assistance projects on a grant basis;
2. Private sector development projects through equity investment and in special cases on a grant basis; and
3. Technical assistance components of Bank-financed public sector development projects.

JSF covers about 40 percent of the ADB's total technical assistance projects, and its funds have been distributed for:

1. Project advisory (50 percent)--conducting consultations in order to strengthen institutions, carry out studies on policy, sector, and other issues, or formulate national development plans;

2. Project preparation (20 percent)—helping the recipient countries prepare projects for subsequent investment financing;

3. Regional activities (30 percent)—major studies, training courses, seminars and workshops covering almost the entire field of development and its special applications to the needs of the countries of the Asia-Pacific region.

Consulting agencies which acquire contracts are listed by the ADB.

The cumulative total funds by 1994 could be broken down into regular contributions amounting to \$463.3 million and supplementary contributions amounting to \$76.2 million. During 1994, the Government of Japan provided a total of \$100.1 million for its seventh-year contribution to JSF. The amount included \$74.34 million in regular contributions and \$22.2 million in supplementary contributions, and brought Japan's cumulative commitments to JSF since its inception on 10 March 1988 to 53.13 billion.

The supplementary contributions are used for three main purposes:

1. Environment - related activities which include environmental components of feasibility studies and training for environmental impact assessments — (\$45.97 million, cumulative);

2. Women in development, including job training and training in management skills, often conducted through a division for the recipient government (\$9.78 million); and

3. Symposia/training for public officials within DMCs (\$2.25 million).

In addition a cumulative \$16.63 million was spent to promote the private sector.

Of the total contribution received by the Bank, \$151.8 million had been utilized as of 31 December 1994, including \$149.7 million for technical assistance and \$2.1 million for equity investments. Funds awaiting disbursements are invested, and in 1994 income from such investments amounted to \$7.2 million. As agreed with the Japanese government, part of the investment income was used to defray the Bank's direct and identified administrative expenses.

In 1994, total expenditure amounted to \$41 million (up 20 percent) and the revenue from investments of JSF resources amounted to \$7.2 million, a decrease of 6.9 percent. The realized rate of return on investment declined from 3.1 percent in 1993 to 2.2 percent in 1994. With additional contributions committed during this year, there was an operational surplus, which raised the unexpended JSF balance to \$400 million.

The cash flow position remained satisfactory. The \$100 million received because of contributions provided the major source of funds. Together with the \$7 million in interest earned on investments, this was far in excess of the expenditure. The surplus was used to increase the investment portfolio. At year-end, the quantum of JSF investments stood at \$404 million, up 32 percent. Other assets, comprising advances to consultants and others, rose by 41 percent to \$10 million, while accounts payable (mainly consulting services) stood at \$14 million.

### **JSF - COMMITMENTS AND CUMULATIVE CONTRACTS AWARDED**

Since its establishment, JSF has made about \$103.582 million in commitments for projects and programs to the developing member countries. Indonesia (\$37.259 million) and the People Republic of China (\$35.09 million) have been the two major recipients, and the grants committed to those countries consist of 70 percent of the total amount. Lately, Vietnam has become a major recipient of JSF and received in total about \$13 million in 1993-94; the amount of commitments which Vietnam acquired during this period was the second largest of all the recipients and followed by the People's Republic of China.

The five donor countries (US, UK, Australia, New Zealand, Canada) combined have the biggest number of awarded contracts for JSF-funded projects. At the end of 1994, their share of cumulative contracts was: US (17.07 percent), UK (15.74 percent), Australia (10.43 percent), New Zealand (9.42 percent), and Canada (8.46 percent). All in all, these donor countries have about 61% of contracts for JSF-funded projects. On the other hand, Japan only acquired 2.52 percent for the same period. However, the actual participation of Japanese companies is unclear, since the name of the companies which acquire contracts and the capital structures of the companies are unknown. More interesting than the JSF contracts are the contracts awarded for loan projects directly resulting from JSF-funded TA projects, but relevant information is limited and has not been compiled.

## DECISION-MAKING PROCESS

According to interviews conducted with the relevant officials (Ministry of Finance, JSF Coordinator, Japanese Executive Director), JSF projects are approved according to the following process:

1. All ADB projects, including future JSF projects, are planned by each division of the ADB. Basically, the bank chooses projects based on requests from DMCs. However, occasionally the ADB recommends particular projects to DMCs.

2. Projects are listed in the ADB's Business Opportunities (BO), and the ADB sends fact-finding missions. Each division formulates technical assistance reports. Then, the details of the projects, such as what kind of financial resources is to be provided (e.g., Technical Assistance Special Fund and JSF) will be decided. The decisions in terms of the financial resources depends on budget resources. The number and amount of the projects funded by JSF in one year can be estimated by the budget.

3. After the contents of projects are finalized within each division, each division submits project proposals to the co-financing division, which identifies potential sources of co-financing. In the case where funding is sought from JSF, the Co-Financing division seeks approval from the Japanese Government.

4. The Ministry of Finance's (MoF) Development Institutions Division in the International Finance Bureau is in charge of this process. According to MoF officials, project proposals are periodically submitted to the Government not on a one-by-one basis, but rather as a package. Since it is stipulated by the ADB that only projects with clear funding can be submitted to the Board Meeting, the ADB must get approval from the Japanese Government before the Board Meeting for technical assistance projects with respect to whether or not it is possible to finance projects through the JSF. The MoF staff said that the Government of Japan makes decisions concerning project approval based on the following criteria: 1) Japan's ODA Principles and 2) whether projects are equally distributed geographically. (The Japanese Government tries to fund projects in a variety of countries and areas.) This decision will be made by the officers of the Development Institutions Division. According to an officer of the division, the senior officers situated above the division are not involved in the decision making process. The reason is that those who are in the higher positions do not have time to check whether or not each project is appropriate.

5. After getting approval from the Japanese Government, these proposals are discussed at an ADB Board of Directors Meeting. Discussions are held until Board Members come to a consensus. The Japanese Executive Director represents the Japanese Government at the meeting.

If this process, as explained by MOF officials, is accurate, then the Japanese Government has a high degree of control over the JSF pipeline. Step 4 above ensures that only projects approved by the Japanese Ministry of Finance are considered by the ADB Board of Directors. In addition, according to MoF officials, it is possible for the Japanese Government to submit project proposals for funding by the JSF, which gives the Japanese Government some power to feed the pipeline. Because the decision-making procedure has not been clarified on paper by the ADB, it is not clear whether the Government of Japan actually possesses the power to stop a project in step 4 above. According to both the JSF Coordinator and MoF, it is the ADB which plays the central role in managing this fund, and the Japanese Government tries not to intervene. However, it is true that the Government of Japan is deeply involved in the decision-making process. According to the JSF Coordinator, if the MoF were to reject a project proposal, the project would be sent back to the co-financing division and possibly financed by different funding sources.

## WHO ARE THE KEY PLAYERS?

There are three key players: the Development Institutions Division (MoF), Japan's Executive Director (from MoF), and the JSF Coordinator (who is also from MoF). In other words, the Japanese MoF, which possesses enormous influence in Japan regarding MDBs, manages all ADB issues including JSF. All of the ADB's former presidents were senior officers of the ministry and all of Japan's Executive Directors have been career bureaucrats of MoF.

Within MoF, the Development Institutions Division in its International Finance Bureau is in charge of all the MDBs. However, there are no specialists on environment and social issues in this division. All staff will usually move to another division after a two-year term, and it seems difficult for them to be knowledgeable about specific issues. According to an officer of the division, the Japanese bureaucrats are expected to be generalists rather than specialists. In fact, even though this division has to manage not only the ADB but other MDBs (such as, Inter-American Development Bank, African Development Bank, and European Bank for Reconstruction and Development), only fifteen officials are responsible for everything. As for the ADB, three officials are in charge of all the issues. Although the MoF recently seems to plan to reorganize its structure, it is doubtful whether this

division has real capacities to manage all the issues.

The Government of Japan also sends a person called the JSF Coordinator to the Co-financing Division of the ADB. According to MoF, this person selects the projects proposed by each division of the ADB and acts as a liaison between the ADB and the Government of Japan. Furthermore, Japan's Executive Director, as a representative of Government of Japan, is also considered to be responsible for JSF's management.

### INFORMATION ON PROJECT FUNDED BY JSF

The names of projects already approved and the funding amounts can be obtained from ADB annual reports. ADB Review, which is published every two months by the information office, also publicizes them. The ADB's Business Opportunities (BO) lists projects which are under consideration for financing. Furthermore, according to the ADB's information disclosure policy, project profiles (PPs) and other related documents, such as Technical Assistance Reports, can be acquired. However, despite the new information disclosure policy, inadequate information dissemination by the ADB remains a problem. For instance, even though projects can be found in annual reports, the information only becomes available after the loan is approved. The information provided by BO and PPs is very basic, and the BO does not specify which projects are being considered for JSF funding. Technical Assistance Reports are released to the public following approval by the Board or the President. This means that information is not forthcoming during the project preparation stage and participation of beneficiaries is far from being guaranteed.

### HOW IS THE MONEY USED?

It is very difficult to evaluate the use of JSF funds. It may be true that the JSF-funded projects do not directly cause environmental and social problems because they are Technical Assistance projects. Therefore, both the ADB and MoF tend to pay relatively little attention to the quality of the projects. However, a large number of ADB loan projects have resulted from JSF projects (see appendix A), and some of them have already caused serious problems both socially and environmentally.

For instance, there is the Nam Song Hydropower Development Project (Lao PDR). The feasibility study was funded by the JSF in 1991, and the loan was approved in 1992. Since the amount of water is in danger of running out during the dry season, the lives of local people living downstream are heavily impacted. Another project proposed by the ADB, Nam Luek Hydropower Development Project (Lao PDR), whose feasibility study was

conducted together with the Nam Song Hydropower Development Project, is expected to bring the same kind of problems. Also in Lao PDR, the Industrial Tree Plantation Project, the aim of which is to reforest the so-called "denuded and degraded" forest land with the help of private sector, threatens the fragile ecology of tropical forest.

The Industrial Forest Plantation Project (Philippines), which JSF funded as Technical Assistance in 1988 and for which the loan was approved in 1991, also damaged the local community. The Biodiversity Conservation in Flores and Siberut Project (Indonesia) is also considered to be very crucial. Taking into account that some harmful projects have resulted from JSF projects, it is not too much to say that JSF projects are sometimes the origin of both social and environmental problems caused by those projects.

### **JAPAN'S CONTRIBUTIONS TO OTHER SPECIAL FUNDS IN MDBS**

The World Bank also has a fund similar to the ADB's JSF, called the Policy and Human Resource Development Fund (PHRD). In 1990, the government of Japan agreed to establish a special fund in the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) for technical assistance and human resources development in the World Bank's developing members countries. The PHRD program provides grant assistance to a broad range of project related activities, with special emphasis on project preparation. In 1995, the fund approved 270 grants amounting to \$177 million, as compared with 223 grants for \$141 million in the previous year, for preparation of projects that are expected to be financed by the World Bank. In addition, Japan contributes funds for the Inter-American Development Bank's (IADB) JSF and the Japan Europe Cooperation Fund (JEFF) within the European Bank for Reconstruction and Development (EBRD) in a similar manner.

A number of projects financed by these relatively smaller Funds have been used for infrastructure, mining, and privatization activities. As a result, some controversial loans were approved and brought serious problems to the local communities, both environmentally and socially. The common problems are: 1) that the money flows are unclear and 2) both the MDBs and the government of Japan do not disclose vital information. This situation is very similar to the ADB's JSF.



## PROBLEMS AND RECOMMENDATIONS

### Issues concerning the ADB

**ADB structure and processes:** The ADB should provide clear information on the structure of the ADB, including: a) the source of funds, b) the purpose of the funds, c) the decision-making process, d) fund management, e) location of funds within the ADB structure, and f) policies governing the use of the funds. Information could be provided through a brochure explaining the fund and through the release of the initial papers agreed upon when the fund was created.

**ADB Information Policy:** As of April 1995, the JSF Coordinator did not know what documents are disclosed under the Bank's information disclosure policy. In March 1996, the Development Institutions Division of the MoF was still unclear as to what documents were available. As a result, both refused to release any documents. The Bank should ensure that all relevant agencies of member governments and all staff are fully aware of the Information Disclosure Policy. In addition, the Bank should publicize the policy more widely, especially in developing member countries, and improve document availability in local languages.

**Use of JSF funds:** Recently, JSF funds are focusing more on preparation of loan projects. In other words, funds for technical assistance, symposia, environmental and social projects can be expected to decrease. JSF funds, which are all grants, should be used only for social and environmental projects.


**Ministry of Finance (MoF):** MoF staff and officials must have more specialized knowledge of development issues. Instead of the current system where staff and officials of the MoF change positions and even departments every two years, a system where they can stay longer in one department and where they can specialize should be adopted. To improve specialization of the staff, the number of staff responsible for the ADB in the Development Institutions Division of MOF should be increased from the current number of three.

**Transparency:** The MoF should be more transparent and accountable to Japanese taxpayers. Mechanisms to ensure transparency and accountability regarding the Japanese government's contributions to the international financial institutions, including special funds, should be established. Currently, these contributions are not even discussed by the Diet.

Public Information: If there are no problems associated with JSF projects (as MoF claims), then the Government of Japan should be more active in promoting public awareness of the Fund, including the release of detailed information on the Fund's operations.

Responsibility for the uses of the JSF: Although the government of Japan states that the ADB itself is responsible for all operations of the JSF, and the Japanese government tries not to intervene, Japan does have responsibilities to monitor its activities as a major donor of the JSF.





# ***Seeds That Won't Bear Fruit: the ADB's Exploits in Agriculture***

Mira Alexis P. Ofreneo

**I**n the beginning, there were seeds. And the Bank saw that the seeds were not so good. Instead, the magic of the Green Revolution created high-yielding varieties of seeds (HYVs). In time, the small farmers who had obediently planted these seeds found to their horror that their yields were not getting any bigger, their lands began losing their fertility, and their pockets were bled empty.

The Green Revolution has passed and faded, while leaving worsening problems of poverty and food security. And yet the Asian Development Bank (ADB) refuses to admit its mistake and continues to support development of perhaps higher-yielding varieties of seeds. Drastic drops in production and consequent negative social effects including food shortages in the Bank's own words are unavoidable experiences as a result of the technicalities involved in such rapid changes in the agricultural system.

This paper attempts to trace the ADB's Exploits in Agriculture since its inception in 1967 to the present annum, an almost three-decade journey. Part I gives glimpses of where the ADB has been, where it is now, and where it will most likely go forth in terms of its policies and practices in the agricultural sector. In summary, the section points to the Bank's continued emphasis on increasing food production irrespective of sustainability, poverty, and equity considerations. Though it has figured prominently as one of top

priorities for Bank loans, current trends show a marked decline in lending (presently at its lowest at 11 per cent for 1992-1994) for agriculture.

Part II highlights the persistent issues, which hinder the Bank's performance in its operations in agriculture. In particular, the Bank is called upon to:

(1) Create a concrete and wholistic policy on sustainable agriculture and rural development through a participatory process, and conduct a comprehensive study on the food and agriculture situation in the region;

(2) Increase or prioritize lending for agriculture in line with the Bank's thrust on poverty reduction and the food security problem in the region;

(3) Examine its support for regional agricultural research institutions that promote HYVs, and pursue alternative research involving farmers, peasants, fisherfolk, tribal communities, POs and NGOs as knowledge-bearers of appropriate technology; and

(4) Examine the quality of its past and present lending portfolio for the sector and ensure that future projects place emphasis on food security parameters, sustainability issues (delinked from pesticides and fertilizers), and equity considerations.

## **THE ADB AND AGRICULTURE: POLICY AND PRACTICE**

The ADB began its operations in 1967 and awarded its first technical assistance grant in August of the same year. In January 1968, it made its first ordinary project loan, and by the end of that year the Bank had made seven loans totaling US\$41.6 million. After 27 years of existence (1967 to 1994), the cumulative amount of loan approvals has reached US\$51.2 billion (31 December 1994).

The Bank provides loans and technical assistance to a wide array of activities. These are categorized into seven major sectors: (1) Agriculture and Agro-Industry, (2) Energy, (3) Industry and Non-Fuel Minerals, (4) Finance, (5) Transport and Communications, (6) Social Infrastructure, and (7) Multisector.

The Bank's lending practices — how much money goes to which sector and to which project and in which country — depend largely on the Bank's objectives and strategies for that particular period. These priority areas for lending are stipulated in its development policies as formulated and implemented by the Bank.

## Major Policies, 1967-Present

Although the Bank has yet to come up with a policy paper on agriculture as a sector, its operations have largely been guided by two major surveys and a review of the Bank's role in rural development. The major "policy" trends from 1967 to the present can be divided into three major periods as shown below:

*Table 1*  
*Summary of ADB Strategic Objectives in Agriculture*  
*for Three Major Periods*

Period	Policy	Strategic Objectives
1967-1974	First Agricultural Survey (1967)	increase food production by modernizing agriculture through HYVs, increased water control, pesticides, and fertilizers
1975-1982	Second Agricultural Survey (1975-76)	increase food production through irrigation (and continued modernization); expand rural employment; improve income distribution
1983-1990s	Review of Bank's Role in Agriculture and Rural Development (1983):	increase food production; expand rural employment (poverty reduction, sustainable agriculture, natural resource management)

### 1967-1974: the Green Revolution

Upon beginning operations in 1967 and through the early 1970s, the Bank adopted a strategy revolving around economic growth. This meant modernizing agricultural production through the application of the green revolution technology. Specifically, the approach entailed the introduction of HYVs of seeds, improved water control, and increased use of fertilizers and pesticides. This highly technological approach to agriculture was uncannily similar to the programs of the World Bank and USAID.

The Asian Agricultural Survey of 1967 was undertaken in the midst of a slump in rice production in many Asian countries. Based on the experience of industrialized countries and the increase in rice production of East Asian nations, there was widespread optimism that HYVs, pesticides, and fertilizers were the answer to the threatening food crisis. The resulting main objective

of the survey was “the rapid expansion of food production, and its development strategy was one of modernizing agricultural production by replacing traditional farming practices with science-based technology supported by improved water control and prices and costs geared to provide an incentive for farmers to adopt technological innovations” (Wihtol, 1989).

The survey saw that the only valid route to rural development is science-based farming, which relies heavily on agricultural inputs. Thus, areas for investment and assistance were rural infrastructure, the fertilizer industry, agricultural processing industries, the development of crop protection, and the development of HYVs. A 1968 policy paper recommended Bank support for regional research institutions, particularly the International Rice Research Institute (IRRI), to look into these new seed varieties. The question of poverty and equity took a backseat. The organizational and structural factors, specifically land tenure, farmers’ access to support systems, and the possible inapplicability of the adopted development model to Asian peasants and smallholders were left out of the survey’s optimistic stance.

### 1975-1982: Rural Development?

The mid-1970s marked a shift towards a poverty-oriented strategy focused on three areas: economic growth, employment, and income distribution. The Green Revolution’s limited success led to a review of the rural development strategy previously adopted.

The Second Asian Agricultural Survey came up with recommendations closely linked with the World Bank’s strategy. Aside from food production, the 1976 Survey added two other principal problems ignored by the First Survey—unemployment and poverty. Remarkably, it cited land reform as one of the four focal areas, along with agricultural growth through technology, support services specifically credit, and extensive off-farm employment.

However, the Second Survey’s land reform recommendation was abandoned in the process of being translated into a Bank policy. The Bank’s sector paper on agriculture and rural development of 1978 led to the formal approval of a Board Paper charting the Bank’s role in agriculture in 1979. A marked difference between the survey and the sector paper was that land reform was significantly removed of the operational policy, presumably because of the reluctance of borrowing governments to undertake extensive tenurial reforms.

Furthermore, a Trilateral Task Force Report under the auspices of the Japanese government was submitted earlier to the World Bank, Food and Agricultural Organization (FAO), and ADB. This 1977 Report considered

irrigation as the most cost-effective way to increase rice production; the Report however left out the question of poverty and unemployment. ADB was the most supportive of this Japanese initiative, as it shifted attention from broad-based rural development to food production and irrigation.

### 1983-Present: Productivity + or - Sustainability

The Bank's involvement in agriculture since 1983 has been guided by the Board Paper of that year, a "Review of the Bank's Role in Agriculture and Rural Development". No broad sectoral survey was conducted then, and only minor changes took place in the Bank's strategy for the sector. The Paper, circulated within the Bank and its borrowers, set out the same policy objective as before—increasing food production and expanding rural employment.

One could get a glimpse of the Bank's priorities during the period from the speech made by President Fujioka in the 1982 Board of Governors Meeting wherein he narrowed down the major challenges of the Bank into three: foodgrain production, energy, and structural adjustment of the borrowers' economies.

The Bank had sectoral papers on agriculture and rural development, irrigation, forestry, fisheries and livestock, agricultural credit and support services, fertilizer and agroprocessing. However, these sectoral papers reflect only the opinions of ADB staff members and thus unofficial. Section 70 of the Bank's Operational Manual issued on July 1981 cited the following priorities for action: (1) agricultural intensification; (2) rural—based industries and services; (3) labor-intensive construction and rural works; (4) rural infrastructure; (5) research and extension for rural development; (6) training managers for rural development programs; and (7) protecting vital ecosystems. Since this Manual and the existing sectoral paper on agriculture are yet to be revised, reviewed or updated, it is presumed that the Bank embraced the same priorities throughout the 1980s.

By 1990, the Bank had begun to emphasize sustainability, not mere productivity, in agriculture. In June 1990, ADB staff members participated in a Bank seminar on Sustainable Agriculture or SA development, which resulted in a staff paper published in 1991. The Bank together with Winrock International presented a Regional Workshop on SA Development in Asia and the Pacific in 1992. This workshop brought forth a conceptual framework for policymakers involved in agricultural projects in the Bank's developing member countries (DMCs). However, these initiatives failed to be reflected in any official Bank policy or operational guideline. And once again, the seeming lip service was allowed to be printed in "staff members' opinion only" documents.



In 1992, the Bank took interest in natural resource management and sustainable agriculture. The ADB Annual Report for 1992 stated the Bank's shift to "natural resource management and issues of sustainability and poverty reduction, while maintaining attention on agricultural productivity, sectoral efficiency and value-adding activities. In addition, special assistance was mobilized to meet emergency situations with agricultural components in a number of DMCs."

In 1993, the Bank identified renewable natural resources, agriculture and agro-industry, and rural development as focal points of operations. The Bank's Medium Term Strategic Framework(1993-1996) cites five main objectives: economic growth, poverty reduction, environmental protection, population planning and women in development.

The last comprehensive agricultural survey in the Asian region dates back to 1976. For almost two decades hence, there has been no evaluative review of the Bank's past strategies in the sector nor any efforts to come up with a policy paper that can elucidate new development strategies that should be adopted, given new realities and lessons from the Green Revolution of the past.

Thus, the direction agriculture has taken in recent years seems to lead to nowhere in particular. At best, the sector attempts to incorporate the Bank's overarching objectives as cited in its medium-term strategic framework and continues to be guided by a 1983 Review of the Bank's role in agriculture, which emphasizes increasing food production.

## LENDING TRENDS

Where does agriculture figure in the cumulative lending pie? From 1968 to 1994, the cumulative total for lending activities amounted to US\$51.2 billion. In terms of amount, the 23.51 per cent share of agriculture and agro-industry (US\$12 billion) came second to the energy sector which had the biggest slice at 25.18 per cent (US\$12.8 billion). Third was transport and communications with 20.08 per cent (US\$10.2 billion).

Figure 1. Cumulative Loan Approvals by Sector (in %), 1967-1994

Source: ADB Annual Report 1994

In terms of number of loan projects, with a total of 1,224, almost one-fourth went to agriculture and agro-industry (390 projects); around one-

sixth each to energy (208), social infrastructure (205), and transport and communications (197). Taken as a whole, almost one-eighth of the total lending pie went to irrigation and rural development, the major subsector in agriculture.

*Table 2*  
*Loan Approvals by Sector (in US\$ Million), 1967-1994*

Sector	Amount (US\$ Million)	Share in Sectoral Lending (%)
Agriculture and Agro-Industry	12,035.06	23.51
Energy	12,889.96	25.18
Transport and Communications	10,279.20	20.08
Social Infrastructure	7,504.64	14.66
Finance	5,206.15	10.17
Industry and Non-Fuel Minerals	2,129.56	4.16
Multisector and Others	1,141.56	2.23
Total Lending	\$51,191.26	100.00

*Source: ADB Annual Report 1994*

Technical assistance activities of the Bank reached US\$813 million by the end of 1994. The biggest cut of US\$310 million or 38.16 per cent went to agriculture, followed by social infrastructure with 16.3 per cent, transport and communications with 14.03 per cent, and energy with 11.47 per cent.

In classifying the 2,234 technical assistance projects, agricultural and agro-industrial activities accounted for a third of the total—779 projects, social infrastructure had 388, transport and communications had 303, and energy had 252.

In summary, these aggregate amounts and figures allotted for the different sectors and subsectors reflect the dominance of three main sectors: (1) agriculture and agro-industry, with the most number of loan and technical assistance projects, 23 per cent of the total amount for loans and 38 per cent of the amount spent on technical assistance; (2) energy, with the biggest slice of the loan pie at 25 per cent; and (3) transport and communications, with 20 per cent of loans and 14 per cent of technical assistance.

Where does "green" money go? The Agriculture and Agro-Industry sector involves the following subsectors: (a) fisheries, (b) industrial crops, agro-industry and fertilizers, (c) irrigation and rural development, (d) livestock, (e) forestry, and (f) agricultural support services. (Fertilizer production used to be the seventh subsector.)

The Industrial Crops, Agro-Industry, and Fertilizers subsector covers loans to support the production of plantation crops, mainly tea, rubber and oil palm, and other crops like sugar, jute, and cotton, as well as rice processing and milling. Loans have been provided for the construction or expansion of fertilizer plants. Fisheries loans have been mostly for lending as credit for the purchase or mechanization of boats and the construction of shore-based support facilities for marine fisheries. They have also been extended to inland fisheries and aquaculture. Livestock loans have supported livestock raising for both meat production and as draft animals for transportation. Forestry loans have been for used for planting and reforestation, forestry extraction and processing.

The three most important areas of agricultural lending are: irrigation and rural development; credit (including both agricultural credit and credit for fisheries development); and road construction and improvement (Wihtol, 1989). Fifty percent of agricultural loans went to Irrigation and Rural Development, which includes straightforward projects for the construction and rehabilitation of irrigation works as well as integrated rural development projects. Other forms of development are integrated into this subsector including roads, water supply, credit facilities, seed and fertilizer supply, research and extension services, health clinics, and housing.

*Table 3*  
*Cumulative Loan Approvals in Agriculture*  
*(in US\$ Million), 1967-1994*

Subsector	Amount (US\$ Million)	Share in Subsector Lending (%)
Fisheries	998.0	8.3
Industrial Crops, Agro-Industry & Fertilizers	1,378.2	11.5
Irrigation & Rural Development	6,042.4	50.2
Livestock	295.5	2.5
Forestry	803.1	6.7
Agricultural Support Services	2,516.1	20.9
Total Agriculture	12,033.3	100.0

Source: ADB Policy on Agriculture and Natural Resources Research, July 1995.

US\$2.5 billion or 20.9 per cent went to Agricultural Support Services. This subsector includes a number of different types of projects, mainly loans to support national agricultural development banks providing rural credit, seed production projects, and projects for the construction of storage facilities. Credit projects accounted for over half of support services (Wihtol, 1989).

One-half of the loan amount allocated for the agricultural sector was spent on 177 irrigation and rural development projects (US\$6 billion). One-fifth (US\$2.5 billion) went to 70 agricultural support services projects. Around US\$1 billion went to 42 industrial crops and agro-industry projects and the 49 fisheries projects, while the remaining went to forestry (US\$803 million), fertilizer production (US\$340 million), and livestock (US\$295 million).

Where is lending headed for vis-a-vis agriculture? In the 1960s, development aid focused on economic growth, directing investment towards the "traditional growth" sectors of infrastructure and industry. For the early part of the first decade (1968-1970 to 1972-1974), the Bank's thrust was lending for the energy and transport and communications sectors. Agriculture, industry, and transport and communications had an almost equal share (about a fifth each) of total lending.

*Table 4*  
*Loan Approvals by Sector in 3-Year Moving Averages, 1967-1994*

	Total Lending	Per Cent of Total Lending (%)						
		Agriculture & Agro-Industry	Energy	Finance	Industry & Non-Fuel Minerals	Transport & Comm.	Social Infrastructure	Multi-sector & Others
1968-1970	128.44	19.48	11.98	23.36	15.06	24.03	6.10	0.00
1969-1971	199.25	20.48	25.38	19.57	8.69	21.68	4.20	0.00
1970-1972	271.92	15.69	33.06	13.97	5.04	21.48	10.75	0.00
1971-1973	330.53	15.78	32.18	15.49	0.42	23.68	12.25	0.00
1972-1974	428.42	18.76	26.71	15.06	4.02	21.32	14.12	0.00
1973-1975	543.16	27.87	23.03	16.73	4.25	17.68	10.44	0.00
1974-1976	661.30	29.27	21.35	17.44	5.48	16.61	9.85	0.00
1975-1977	774.22	30.51	22.02	15.46	4.19	16.97	10.85	0.00
1976-1978	940.36	27.42	21.53	14.37	7.25	15.98	13.45	0.00
1977-1979	1098.92	29.88	24.03	11.81	5.62	12.10	16.55	0.04
1978-1980	1282.01	30.95	24.88	10.98	3.93	12.39	16.84	0.08
1979-1981	1454.96	32.58	27.21	10.72	0.90	9.41	19.11	0.09
1980-1982	1698.97	34.00	27.71	10.00	0.74	11.53	15.97	0.06
1981-1983	1751.46	33.68	26.60	10.61	2.36	7.52	18.27	0.96
1982-1984	1837.03	34.18	28.98	7.01	1.91	12.12	14.36	1.43
1983-1985	1978.52	32.42	24.63	8.50	1.87	12.75	20.30	1.53
1984-1986	2013.77	35.48	25.28	4.65	0.34	14.40	17.48	2.40
1985-1987	2081.64	30.83	17.47	11.24	3.06	20.54	15.24	1.81
1986-1988	2512.17	28.90	18.76	12.84	7.46	21.27	11.32	1.45
1987-1989	3053.71	22.37	16.41	17.16	6.69	21.94	14.60	0.82
1988-1990	3564.93	25.83	20.78	12.67	4.50	19.37	15.15	1.71
1989-1991	4115.48	25.30	26.04	10.83	3.58	17.93	14.88	1.45
1990-1992	4574.41	21.57	28.35	9.50	3.78	20.78	12.91	3.12
1991-1993	4994.15	13.88	30.47	9.05	5.43	23.68	14.25	3.24
1992-1994	4639.42	10.99	27.95	7.59	4.48	29.44	14.09	5.46
Cumulative 1968-1994	51,191.26	23.51	25.18	10.17	4.16	20.08	14.68	2.23

Source: ADB Annual Report 1994.

The worldwide foodgrain shortages of the early 1970s and increased poverty and unemployment in rural areas despite growth-oriented strategies led international donors and agencies to review their rural sector policies and operations. In the ADB, the shift towards rural sector lending was evident. The allocation for agriculture and agro-industry increased steadily from an average of 16.8 per cent in 1968-72 to 28.6 per cent in 1974-78, and further to 34.2 per cent in 1979-86. From 1979 to 1986, the ADB allocated one third of its resources to agriculture and rural development, making it the single most important sector of Bank lending.

Agricultural loans revolved around the 30.0 per cent mark in the 1970s and 1980s, peaking in the mid-1980s before beginning its decline. Based on three-year moving averages, loan approvals in this sector had slipped from 25.24 per cent of total lending for 1989-1991 to 21.36 per cent for 1990-1992 to 13.71 per cent for 1991-1993 to a record low of 10.99 per cent for 1992-1994. For 1994, agriculture received only 13.2 per cent of total loans. While the trend for agriculture is decreased lending, the energy and transport and communications sectors are notably increasing their respective shares.

### **THE ADB'S PERFORMANCE IN AGRICULTURE: ISSUES THAT PERSIST**

In recent years, the ADB has shown interest in sustainable agriculture and natural resource management. Bank-NGO dialogues initially focused on the ADB's pesticide policy and the call for delinking pesticides from the Bank's agricultural loans and curtailing support for HYVs. The 1995 NGO campaign urged the Bank to formulate an agriculture and natural resource policy, which incorporates agrarian and aquatic reform and natural resource management. Though new initiatives by the Bank on this line are noted, these issues persist, hindering the Bank's performance in agriculture.

A. Need for a concrete and wholistic Bank policy on sustainable agriculture and rural development to provide a clear strategic framework and basis for public discussion

In the past, the Bank's operations in the sector were guided by two Asian Agricultural Surveys conducted in 1967 and 1975-76. Upon the Bank's own admission, its only guide in its involvement in agriculture for the 1980s and early 1990s was a "Review of the Bank's Role in Agriculture and Rural Development," completed in 1993. No other sectoral survey has been undertaken and relatively minor changes have taken place with regard to the Bank's development strategy in agriculture.

The only relevant documents produced since then are sectoral papers on agriculture and rural development, irrigation, forestry, fisheries and livestock, agricultural credit and support services, fertilizer and agroprocessing and the use of pesticides. These working papers reflect only the opinions of ADB staff members. However, these papers have served as reference for particular sections of the Operations Manual of the Bank that deal with different aspects of agriculture. The 1979 Sector Paper on Agriculture and Rural Development (Staff Working Paper), in particular, was the basis for Operations Manual Section 70 issued on 1 July 1981.

From the NGO viewpoint, the objectives and strategies of these past surveys in their final operative form are questionable, for they focused on increasing foodgrain production with little attention on poverty and equity considerations. To conduct a comprehensive regional survey at this time is crucial. A food and agriculture study in the region highlighting the impact of ADB loan projects for the past three decades is a necessary step before formulating a new policy on agriculture.

As a response to the call of NGOs for a clear policy paper on agriculture in past campaigns with the Bank, President Sato, in his letter to NGOs dated 25 July 1995, said that "several new policy papers have been prepared recently and strategies are being reassessed." In particular, the Bank's Policy on Agriculture and Natural Resources Research came out in July 1995. A Working Paper on the Bank's Policy on Fisheries came out in January 1996 for the Board's consideration (which is expected to be finalized in June 1996). A Discussion Paper on Water Resources Development and Management, the basis for a policy paper on water resources, has been prepared for a regional consultation (which includes NGO participants).

The NGOs welcome the Bank's recent initiatives to develop policy papers for fisheries and water resources management. The need for a policy that deals with aquatic resource reform programs has been particularly emphasized, for instance, in the 1995 NGO campaign. However, NGOs find it unfortunate that very little time was provided for NGOs to give their inputs or comments on the Working Paper on Fisheries. Still, the effort to consult with NGOs, though far from the kind of participation NGOs want, is noted. Worse, the ADB Board passed the Policy on Agriculture and Natural Resource Research without prior consultation with the NGOs.

In relation to the preparation of the Water Resource Management Policy, the NGOs appreciate the immediate dissemination of information of the Consultative Draft. A particular concern is how the Bank plans to conduct a Regional Consultation Workshop involving representatives from government,

NGOs and the private sector. Given the unequal relationship between these three parties in their in-country environments, NGOs may not be able to participate effectively. The structure of the workshop itself is questionable; for example, having a "panel of experts" judging country presentation videos by government, NGOs and the private sector.

The NGOs reiterate the need for the Bank to formulate a rural development policy as an overarching framework which sets the agricultural sector objectives. A policy that treats agriculture as a whole is necessary so that the different policies for the different subsectors become complementary. The present categorization of the whole agriculture sector is problematic as it separates the different facets of agriculture and creates particular directions for each without considering how all these are interrelated and how they can be integrated into one policy. The Bank has to come up with a wholistic policy for agriculture, which can provide a sufficient framework that makes poverty and equity important variables in the food production equation.

The Bank now talks about giving attention to "natural resource management and issues of sustainability and poverty reduction" (ADB Annual Report 1992). It prepared a staff paper on "Sustainable Agricultural Development: Concepts, Issues and Strategies" (February 1991) and conducted a Regional Workshop on Sustainable Agricultural Development in Asia and the Pacific Region (June 1992). But beyond this, in terms of concrete policy, not much has been done by the Bank.

The Bank's continued emphasis on high productivity through the intensive use of HYVs and inputs (specifically fertilizers and pesticides) can be traced to the 1983 Review, highlighting agricultural intensification and increasing rural employment. However, vital issues such as land tenure, biodiversity conservation, promotion of local resources, and recognizing indigenous knowledge systems have remained secondary concerns.

In light of the Bank's recent effort to formulate policies for the subsectors in agriculture, it is ironic that no written document is yet available that focuses on land-based agriculture and rural development, which has comprised the bulk of the loans to the sector. To be sure, a rural development framework (or policy) is necessary before the Bank could effectively address the different subsectoral issues.

It goes without saying that in setting the framework and formulating specific policies, the Bank must set in motion a participatory process, involving all relevant parties including Asian communities, people's organizations (POs) and NGOs.

**B. Decreasing agricultural lending despite the Bank's thrust to alleviate poverty**

Three-year moving averages on loan approvals in the agriculture sector show a consistent slip in agriculture's share. Consistently having roughly a 30 per cent share of loans for the 1970s and 1980s, lending for agriculture peaked in 1984-1986 at 35.46 per cent. Then it slid to 21.36 per cent for 1990-1992 to a sudden drop of 13.71 per cent for 1991-1993 to a record low of 10.99 per cent for 1992-1994. Furthermore, agriculture now ranks only second to energy and if current trends continue, it might be overtaken by the transport and communications sector soon.

What does this change in lending priorities show? Not that there is no need for further lending towards agriculture and rural development. On the contrary, given worsening poverty figures and the threatening food security situation, there is enough justification to push for increased lending if not top priority for the agricultural sector.

The Bank maintains poverty alleviation as one its five main objectives in its Medium-Term Strategic Framework (1993-1996) if not "the main concern of the Bank" (Letter of President Sato to NGOs dated 25 July 1995). Two-thirds of the world's poor live in the rural areas. More than 70 per cent or 800 million people of the estimated 1.1 billion poor in the world are found in Asia. Most of these poor people are dependent on agriculture for their food and their livelihood.

The Bank reasons that the reduction in lending for agriculture was done concurrently with the decrease in the overall lending. In turn, the main reasons behind the reduction of loans are: a) funding uncertainties and constraints relating to the Bank's Fourth General Capital Increase (GCI), b) absorptive capacity of DMCs, and c) a rationalization project processing with a view to remove annual approval targets, improve project quality and eliminate loan bunching. However, it cannot be denied that the Bank's priority has shifted from agriculture to energy and communications. The reasons given by the Bank could not explain—against the backdrop of a decreasing share for agriculture—the increasing share for energy and communications

If the Bank is to be true to its self-imposed thrust of reducing poverty, a rechanneling of fund allocations towards the agricultural sector has to be done. If the Bank wants to truly alleviate poverty, it has to channel its funds in the direction of who needs it most—the agriculture-dependent communities in Asia's rural areas.



C. Continued support for regional agricultural research institutions and programs that promote genetically uniform and high-yielding seed varieties (HYVs)

The Bank's Policy on Agriculture and Natural Resources Research (July 1995) states that "the most dramatic and far-reaching achievement was experienced through the Green Revolution, or the development of high-yielding varieties (HYVs) of rice by the International Rice Research Institute (IRRI) and of wheat by the International Maize and Wheat Improvement Center (CIMMYT)."

Vandana Shiva, a physicist, philosopher and director of the Research Foundation for Science, Technology and Natural Resource Policy in India, explains that "the term 'high-yielding varieties' is a misnomer, because it implies that the new seeds are high-yielding in and of themselves.... (However, in) the absence of additional input of fertilizers and irrigation, the new seeds perform worse than indigenous varieties. With the additional input, the gain in output is insignificant compared to the increase in input."

The Green Revolution reduced farming systems to individual crops and parts of crops. As a result, the Green Revolution increased not the total yield, but the yield of one part (the grain) of one crop. It selected marketable parts of crops and grains and displaced plants that are essential for the survival of nature and people. Comparing Green Revolution monoculture to mixed cultivation as practiced in traditional farming, the overall biomass production is higher in traditional mixed farming. The Green Revolution failed to count losses in other crop components and the resulting increases in external input (non-sustainable consumption of water and fertilizer) in its measure of yield.

Given the current awareness that intensive use of chemicals pollute the soil, water, and atmosphere, support for chemical fertilizers and pesticides is no longer viable. The agricultural development espoused by the ADB exacerbated the situation of small-scale farmers who had to buy pesticides and fertilizers and other prescribed agricultural inputs to increase the yields of their high-yielding seed varieties.

The Bank has to admit the failure of the Green Revolution technologies to uplift the conditions of agricultural communities and to curb the food security problem in the region and worldwide.

Moreover, the NGOs and POs view with serious concern the Bank's continued support and preference for the Consultative Group on International Agricultural Research (CGIAR), which includes IRRI. The CGIAR and IRRI have promoted HYVs, and they are currently involved in

biotechnologies (or the "higher-than-the high-yielding varieties").

The new biotechnologies will not reduce the use of farm chemicals but increase them since breeding for pesticide and herbicide resistance is the dominant focus of biotechnology research in agricultural crops. Biotechnology reduces farming systems to "marketable" individual traits found in individual crops. This serves the interests of business, rather than the needs of poor peasants. Allowing a uniform patents system that allows ownership of life properties also implies that farmers' rights over resources having characteristics of patented seed varieties are excluded.

Regional research institutions should not be treated as if they hold a monopoly of the knowledge and appropriate technology for sustainable agriculture. On the contrary, the Bank has to recognize the primary role of the communities themselves in developing their own culture-specific and sensitive methods of agriculture. Hence, the Bank should see to it that communities participate in the research process. In the same vein, the Bank must recognize the indigenous knowledge system possessed by tribal communities.

There are alternative research methodologies and institutions that involve the farmers, fisherfolk, and communities in a participatory technological development process. Scientists and NGOs go to the agricultural communities to do joint studies in the field and in the laboratory. The people are seen not as farmers to be trained on how to use the modern technologies but as the primary stakeholders who have the capacity to develop their own methods and who possess the knowledge of culture-specific technologies appropriate to their environment and way of life.

D. Agricultural loans that de-emphasize equity and undermine food security, support pesticides and fertilizers

The Bank believes that merely increasing food production answers the food security problem. However, chemical-intensive agriculture promotes wide-scale cash crop production at the expense of local food production, increases the dependency of developing countries on a few exportable products vulnerable to falling commodity prices, and isolates small farmers in favor of multinational corporations that control world trade cereals.

Food security is not a lack of food supply but is a result of unequal access to and distribution of resources. Poverty is just a manifestation of the poor's lack of food purchasing power and control over the resources needed to produce. Therefore, the Bank must focus on ensuring adequate food production at the same time improving access to resources. This entails

broad measures such as improving incomes, enhancing community participation in decision-making, agrarian reform, devolution of power, improving gender equality, etc.

It is of particular concern that the new agricultural loans approved in 1995 (such as the projects in Mongolia, Sri Lanka, Vietnam, Kazakhstan, and Kyrgyz Republic) have one common thread: sectoral adjustment. The projects' main objective is to create a transition from an agricultural sector to a competitive market-based sector. These projects deal with changing structures towards integration into the market economy but do not answer the problems of food security and poverty. How does the Bank plan to feed more than half of the population of the world (who are found in the region) with sectoral adjustments and even with biotechnologies?

We call on the Bank to:

1. a) Conduct a regionwide food and agriculture survey, dwelling on the impact of ADB loan projects for the past three decades and emphasizing the new realities and pressing needs of Asian countries, particularly poverty reduction, food security, agriculture sustainability, and environmental conservation;

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- b) Formulate a new wholistic policy on agriculture and rural development (particularly addressing sustainability and equity issues) that provides an overarching framework for the sector, within a process of consultation and participation of NGOs, POs, and representatives of Asian farmers, peasants, and fisherfolk;

2. Increase lending and give priority to agriculture and rural development in line with reducing poverty and addressing the worsening food security situation;

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3. a) Critically review its support for regional agricultural institutions and programs that promote genetically uniform and high-yielding seed varieties (HYVs);

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- b) Support agricultural research that adopts a wholistic approach to agriculture, addresses food security and sustainability, recognizes indigenous knowledge systems, and allows the participation of the farmers and communities themselves in the research process;

4. a) Evaluate its agricultural loan portfolio to determine the impact of past and present projects on farmers, fisherfolk, and agricultural communities;

b) Ensure that projects incorporate sustainability, food security, and equity considerations. In particular, the projects must strive to improve the poor's access to resources, raise incomes, enhance community participation in decision-making, support agrarian and aquatic reform, devolve power, and promote gender equality.

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# ***The ADB's Role in Asia's Forestry***

**Philip Gain**

**T**he Asian and Pacific region is the home of half the world's population with 2,800 million people. The land area of the region is close to 3,000 million hectares of which grasslands cover 963 million hectares. Agricultural land occupies 500 million hectares (17 percent), which is 30 percent of the world's arable land. Forests and woodlands occupy about 618 million hectares or 21 percent of the total land area (ADB Policy on Forestry 1995:3).

According to Food and Agriculture Organization (FAO) cited in the ADB forestry policy, about 445.5 million hectares of the region's forests are spread over 20 tropical, subtropical, and temperate developing member countries (DMCs) of the Bank.

What makes Asia's forests very significant is its ecological diversity. Of the 12 "megadiversity" countries of the world in which half of the earth's plant and animal species lie, five are in Asia: People's Republic of China (PRC), India, Indonesia, Malaysia, and the Philippines. Tropical moist forests of the regions is also the home of 20 to 25 percent of the earth's plant species along with the greatest variety of animals. The Southeast Asia's rain forests

were so bountiful once that they covered 10 percent of the earth's surface which, however, has now reduced to three percent.

The principal commercial tree species of the region include red pine (*Pinas koraiensis*), fir (*Abies sp.*) in the temperate forests in the People's Republic of China; sal (*Shorea robusta*) in India, Nepal and Bangladesh; the highly valued and increasingly scarce teak (*Tectona grandis*) in India, Indonesia, Myanmar and Thailand; and the multipurpose *Dipterocarpus* in Southeast Asia (ADB forestry policy). Asia also has 40 percent of the world's mangrove forest resources, comprising a diverse group of unrelated trees (*Rhizophora*, *Bruguiera*, *Ceriops*), palms, shrubs, vines and ferns. All these indicate the diversity of genetic resources.

However, "dramatic deforestation" from mid-twentieth century has become a major concern to the industrialized countries, multilateral development banks (MDBs), ruling classes in Asian countries and their business allies. They are concerned because "tropical countries need timber export earnings, land for cash crops and land to settle rising populations" (Scott); but they do not directly face the consequences of deforestation or "mistaking plantations". The ultimate and worst losers are the local communities especially the indigenous peoples. According to ESCAP (Economic and Social Commission for Asia and the Pacific) reports (cited in *The Last Tree*, 1991:3), Asia, on average, lost four million hectares a year between 1950 and 1976. According to an ADB estimate, during the last decade--1980 to '90--Asia lost 45.1 million hectares of forest land or about 4.5 million hectares per annum (ADB Policy on Forestry 1995:3). An interesting thing to note, published in the same year by the ADB *Breakthroughs in Forestry Development* (Ganguli 1995:27) has put the figure of deforestation between 1980 and 1990, down to 39 million hectares or 3.9 million hectare per annum. A large percentage of deforestation occurred in Southeast Asian countries such as Malaysia, Thailand, Indonesia, Burma, the Philippines, and India.

At the global level, according to an interim report of the FAO (Food and Agriculture Organisation) 1990 Forest Resources Assessment, which covered 62 countries and 80 percent of the forest in the tropics, the annual tropical deforestation rate was 9.4 million hectares in 1980, and it had risen to 16.8 million hectares in 1990 (Agarwal and Narain, 1992:75). The FAO held shifting cultivation, poverty and the need for survival through sustenance agriculture as the main causes of deforestation.

Such estimates of deforestation given by FAO and organizations like World Resources Institute (WRI) have been termed statistical jugglery by Indian top environmentalists (Agarwal and Narain, 1992:75). They also have

cautioned about the understanding the causes of deforestation given from "extremely technocratic, industrial foresters' point of view". FAO's estimate and definition of deforestation have been said to be fundamentally flawed.

To demonstrate how flawed can be the FAO estimate, let the Indian situation be taken as an example. Until the late 1970s, according to India's forest department, India's deforestation rate was 147,000 hectares a year. The FAO estimate of 1980 also matched the data of the forest department. But according to a "guesstimate" of the Centre for Science and Environment (CSE), an Indian leading environment organization, deforestation during this period was equivalent to one million hectares. In its estimate the forest department meant by deforestation the forest land it transferred for non-forest purpose. So the estimate was fundamentally flawed.

There is reason for every concerned entity or individual to be worried about the current rate of deforestation and the consequences that the Asian countries are facing. But there are indeed attitude problems and controversies around who destroy forests, how to combat the problem of deforestation, and what the role is of the international financial institutions and other global entities. These need to be closely looked into.

## WHO DESTROY FORESTS?

Some simplistic reasons for depletion and degradation of forest resources given by MDBs and governments are growing population, widespread poverty, migration of landless people in the forest areas, shifting cultivation, and inappropriate exploitation of forest resources.

Mistakenly the forest people or the indigenous people are included among the populations held responsible for clearing forests. It is true that population pressure is one of the causes for deforestation in Asian countries. But to what extent are increased population and poverty responsible for such deforestation and how many of the population are truly forest people? Answers to the questions around deforestation must be sought in the historical (colonial) context. The financial and other global entities that have emerged in the post-colonial era also need to be closely looked into.

In India, local traditions guarded the forest. Forests were considered to be property of god, and permission from the local priest was required before one could fell a tree. Such tradition made the British colonists impatient, for they badly needed hardwood such as teak at the time of the 18th century when it consolidated its power in India. The Briton's quest for teak was so strong that it would play a part in Britain's annexation of Burma



(Rush 1991:14). It was British colonists who ultimately converted the property of gods to commercial product.

Demand for hardwood increased manifold with increased industrialization. For example, a huge quantity of hardwood was needed for railway sleepers. In defiance of communal ownership of forests, the British expropriated millions of hectares of communally owned forests, one-fifth of landmass.

Now the government took the management of what was the source of countless necessary materials for villagers (firewood and medicinal plants) and the traditional home of tribal forest dwellers.

Confiscation of forests by the British colonists took place largely throughout the second half of the nineteenth century (1850-1900). Massive confiscation of forest land by state took place almost everywhere in Southeast Asia (even in uncolonized Thailand) during roughly the same period (Rush 1991:15). Gradually the fruits of Asian forest travelled to the western and rich countries. The colonists began the process of confiscation of forest, and the western companies consolidated the control over the forest.

Now, after the direct colonial era ended, the developed countries want to make sure through the multilateral development banks (MDBs) and various mechanisms such as International Tropical Timber Organization (ITTO), Tropical Forestry Action Plan (TFAP) that they continue to get their supplies of wood from the Asian countries.

Japan, the USA, and the EC (European Community) countries are the principal importers of tropical timber. Japan imports mainly logs. Indonesia, Malaysia, Papua New Guinea, Ivory Coast and Gabon: These five countries are the supplier of 88 percent of the world market in tropical hardwoods (Agarwal and Narain 1992:76). Japan alone imported 50 percent of its log imports from these countries.

In addition, the MDB-funded development projects--massive dams, irrigation schemes, roads, highways, etc.--have taken much of Asia's forest resources. An effort to make up the forest loss through commercial forestry practices has not only failed but has contributed to further clearing of natural stands. This has also increased the burden of debts of the Asian countries.

The MDB-financed mega projects have, in many countries, contributed to the snowballing effects on the forests resources and the forest communities, including the indigenous peoples. A typical example is the construction of the Kaptai Dam in the Chittagong Hill Tracts of Bangladesh. The dam

constructed in 1964 with USAID (US Agency for International Development) funds displaced around 100,000 persons (almost all of them being indigenous people). These people lost their cultivable land and a huge tract of forest went under water. Population dislocation changed their ecology, geography, economy and agriculture.

Because of the Kaptai Dam and the artificial Kaptai Lake, many indigenous people who gave up shifting cultivation and got used to plough cultivation were forced to resume shifting cultivation when they were displaced and settled on forest lands.

Many ADB-funded irrigation and forestry projects have drawn wood, vegetable oils, rubber and other cash crops (Rush 1991:22) to the cities and abroad. This has further alienated the rural poor from their limited economic resources. This has also forced them to encroach further into the hills and marginal lands, clear forests and take to shifting cultivation which they may have abandoned earlier. An Increasing population, hungry for land, pushed through the forest reserves in many parts of Asia.

Monoculture of plantation crops or commercial plantations encouraged by the MDBs and foreign funding has also caused enormous damage to forest reserves. The indigenous peoples have lost most from such transition. They are generally not opposed to others living and benefiting from the jungle, nor are they opposed to its development. On the contrary, what they want is for such development to benefit them and not just the companies and colonists from outside. They also want the conservation of the forest resources so that they can serve future generations of both colonists and indigenous peoples.

### **SAVING AND GENERATING FOREST RESOURCES: ROLE OF MDBS AND OTHER INTERNATIONAL ENTITIES**

It is a general aspiration of the Asian countries that the last remains of the tropical forest are saved and forest resources are better managed. But the (exploitative) mechanisms that exist are considered to be inadequate. The multilateral financial institutions and other entities which have direct or indirect interests in exploiting the forest tend to blame the growing population and unscientific forestry practices for unsustainable forestry. On the other hand, Asia's prominent environmental organizations and dependable research findings establish that the neglect of the knowledge of the forest dwellers and local communities who are the real custodians of forests is one main reason for diminishing forest resources.

Two prominent financial institutions that have been making substantial investments and making an effort to "halt" the rate of deforestation and creating new forest reserves in Asian countries are the ADB and World Bank. The other major global initiatives taken in the 1980s for forest management were: the UN-sponsored International Tropical Timber Organization (ITTO) established through the International Tropical Timber Arrangement (ITTA) and the Tropical Forestry Action Plan (TFAP). The ITTA was itself born out of the UNCTAD (United Nations Conference on Trade and Development) program on international commodities (Agarwal and Narain 1992:76).

The ITTO was created to develop a consultative mechanism to enhance understanding and cooperation between tropical timber consumers and producers. Its other objective is "the development of national policies aimed at sustainable utilization and conservation of tropical forests." But its efforts to promote the sustainable development of tropical forests (harvesting timber without damaging the forests) have attained little success (Agarwal and Narain, 1992:77). The Tropical Forestry Action Plan (TFAP) was started in 1983 with an expressed intent to conserve and sustainably develop world's tropical forests. Influential in the making of the TFAP were the FAO, UNDP (United Nations Development Programme), World Bank and Rockefeller Foundation. While ITTO gives lever to the global community to influence trade, TFAP provides the opportunity to formulate strategies for national forestry management. The MDBs set the countries to participate in the TFAP through formulating the national forestry master plan.

A general assessment is that ITTO and TFAP have failed in attaining its stated goals. Many would also criticize that the global initiatives and their efforts to promote sustainable yields of tropical woods "are designed to forestall the decisive actions that would really save the remaining forests and their dependent indigenous communities." (Rush 1991:91).

After visiting Bangladesh and getting a sense of Bangladesh forestry sector, Dr. William R. Burch, Jr. a professor of forestry at the Yale University (USA), commented in his visit report: "Indeed in the realm of forestry, one is certain that a large part of the problem is due to massive donor funds and influence that push the country in totally inappropriate pathways. For the donors, participatory forestry is often more rhetoric than action." What Dr. Burch has said about Bangladesh is perhaps what is occurring throughout tropical Asia.

*The State of India's Environment*, a report published by the CSE notes that in India social forestry began with the aim of meeting "firewood and fodder needs for the poor," but it was becoming "a scheme of subsidies to support lucrative cash cropping by the rich." (in Rush 1991; 46).

## ADB FORESTRY SECTOR LENDING: A HISTORICAL PERSPECTIVE

In analyzing the role of the ADB in the forestry sector lending, it is relevant to look into the historical context. The ADB came with lending commitment in this sector rather recently. In many Asian countries, assistance to the forestry sector dates back to the colonial era--a century or more ago--when forest departments were set up.

In India, for example, the forest department was set up by the British, and the foresters always served the interests of the colonial administrators. The foresters have, since then, acted as policemen and hardly saw any connection between forests and people or communities who live in the forests. The forest departments are to protect the forest from the infiltrators and "illegal squatters" on the forest land..

The colonial trend and practices have continued after independence. While the foresters have played the role of both protectors and exploiters of forest resources, the local forest communities who traditionally had the rights to use the forest resource have been branded as illegal squatters on the forests. Their role in managing the forest has been largely denied. In the process of transferring the forests into the hands of the forest departments, the role of traditional wisdom and knowledge of the local communities in the management of forest has been denied as well.

In the post-colonial period the forest departments have often played the contradictory role of both protectors and exploiters of the forest resources. So the local peoples, who had already lost their usufructuary rights over forest produces, also lost faith in the new systems which brought the commercial loggers and concessionaires. In a word, the local peoples could not play an active role in the protection of the natural stands.

In such a situation when ecocide in many forest environments had taken place, some foreign assistance began to flow into the developing countries to conserve the forests and reforest the degraded and denuded land. But in the name of "social" and "community" forestry, commercial production has been promoted, and this has largely served the interests of developed countries and not of the forest communities.

Dr. Burch has satirically described social, community and traditional forestry in this manner: **Social Forestry** is when the rich get richer and the poor get seedlings; **Community Forestry** is when both the rich and poor get poorer and no one gets seedlings, and **Traditional Forestry** is when the rich get richer and no one worries about the poor or seedlings.

The ADB intervened in the Asian forestry sector in 1977. Prior to the Bank's Policy on Forestry the Bank's investments in this sector were guided by the a 1978 Working Paper on the "Role of the Bank in Forestry and Forest Industries Development." From the initial phase the Bank has put emphasis on production-oriented and commercial forestry practices.

The adoption of the Bank's Policy on Forestry in March 1995 is ADB's landmark in the forestry sector investments. Till March 1995 the Bank had lent around US\$900 million in over 30 projects. According to the Bank's evaluation the forestry sector lending has yielded significant success and good lessons. In a post-evaluation of nine forestry projects, the Bank rated six projects to be generally successful, two partially successful, and one unsuccessful.

### **A CRITICAL REVIEW OF ADB'S POLICY ON FORESTRY**

#### **Policy Assumptions**

a. One expressed key assumption which gives basis to the production-oriented, commercial forestry practices promoted by the ADB is "growing population with limited income opportunities and the related widespread poverty and migration of landless people in forest areas" in the Asian countries. This assumption clearly provides safeguards to the historically identified villain on the forest lands and wrongfully accuses the true custodians of the forests.

b. While the policy identifies some stereotypical ill effects of deforestation, it retains one of its criticized original assumptions that "Asian deforestation is estimated to have contributed to 6 percent of the recent increase in the global atmospheric concentration of carbon dioxide." There is no scientific basis that Asian countries contribute to 6 percent in the global atmospheric concentration of carbon dioxide. The questionable figure not only falsely ascribes liability to Asian countries, but conveniently ignores the contribution of highly industrialized countries to global build-up of carbon dioxide. This was the reaction of the NGOs in a consultation on the ADB in April 1994. The NGOs' appeal to strike out this statement was not considered by the ADB.

c. The ADB's Policy on Forestry takes note that as an impact of forest degradation and depletion, "forest-dwelling and/or forest-dependent communities have found their livelihood and local culture disrupted, often forcing whole communities to relocate." But that "Forest communities are also reluctant to invest their energies in sustainable forest management" is

not accurate. There is enough evidence that the forest-dependent communities, especially the indigenous peoples and tenured migrants, have been engaged in sustainable forest management on their own initiative and without the benefit of government and foreign assistance.

### **Causes of Deforestation and Degradation of Forest Resources:**

The Bank puts blame on the encroachers and communities living in and around the forest and their practices of agriculture (shifting cultivation) for destroying forests. The local communities collect branches of trees for fodder, and there are also illicit practices on the forest land, which contribute to the loss of forest resources.

But the Bank ignores citing the major causes of deforestation: commercialization of forest land without much thought and care, promotion of monoculture, fuelwood and industrial plantations, corruption in the forest department, failure of international instruments such as ITTO, ITTA and TFAP, etc.

In principle, the ADB recognizes that the protection of old-growth forest and regeneration is important; but in practice, its promotion of plantation forests encourages deforestation. With the natural stands disappearing, customary rights of the indigenous peoples get much more limited, and the land tenurial issues get more complicated no matter what the policy pronouncements are.

### **Land Tenure**

The Bank says that land tenure matters are central to the development of the forestry sector. But its stated policy on land tenure is not clear-cut. The Bank expresses a will to resolve the land tenure and potential land use conflicts prior to the implementation (not approval) of a forestry project. The policy section only calls for the Bank to "finance studies" on "land tenure structure, including customary rights" and to "encourage and assist" DMCs to establish "proper" land use policies. No explicit mention is made of traditional or customary rights of indigenous communities. Nor does the Bank differentiate between the prior rights of indigenous communities and other tenured migrants and the claims of more recent migrants.

### **Introducing Modern Technologies in Forestry**

The Bank makes a strong commitment of support to promote scientific knowledge and technologies in forestry practices, but it does recognize and make an effort to identify innovations and knowledge of the forest people

which are cost-effective, environmental friendly and appropriate. Support to technologies without recognition of traditional knowledge and innovations means promotion of production-oriented forestry at the cost of natural forest which might prove to be fatal for local ecology and communities.

### **Investment strategy**

The Bank blatantly manifests and promotes its business intent when it comes to the investment strategy. It is willing to see that the old-growth forest is set aside for "conservation and watershed protection" and "in such forest" it "will not support any commercial logging". But the Bank gestures threateningly when it makes it clear that its primary task includes to "replace wasteful and destructive logging practices in second-growth forests with those that are sustainable and environmentally sound." To do so "the Bank will encourage the establishment of fast-growing, high-yielding industrial and fuelwood tree plantations of soft land hardwoods in selected degraded forests and grasslands" (ADB Policy on Forestry, pp.20, 21). The Bank is keen to involve the private sector, in the establishment of such industrial and fuelwood tree plantation projects.

Although the Bank includes in its policy the safety clause that the local communities, NGOs, elected local bodies and other relevant bodies will be consulted and involved in such commercial practices, in reality it has no mechanism to do so. Besides, some DMCs with undemocratic practices can easily ignore the Bank's safety clause. Besides, it is not clear how the second-growth forest areas will be identified and how they can be regenerated as natural forests.

The Bank draws attention to another problem when it says it "will encourage mixed plantations rather than the monoculture of single species with appropriate matching of species with specific site conditions." In practice the Bank has no mechanism to make sure that actual mixed plantations take place.

### **Institutional strengthening**

The Bank's overwhelming support for the preparation of master plans for forestry development (MPFDs) and linking the DMCs to the Tropical Forestry Master Plan (TFAP) undermines the local initiatives and knowledge. Those designing MPFDs are likely to include a great number of expatriates who may be largely ignorant of the local situations and susceptible to bureaucratic pressure. Under such circumstances designers of MPFDs may not have proper consultation with the local communities. That such threat exists was exemplified during the making of the MPFD in Bangladesh. The

forest communities remained and continue to remain largely unaware about the MPFD in Bangladesh.

The Bank's expressed intention to play an active role in "Changing the legal framework to ensure consistency with proposed policy reforms" may deny the indigenous or forest communities of their customary land rights and establish them as illegal squatters on forest land. This might also trigger widespread conflicts between the forest departments and the forest-dependent communities.

### **Selection of Projects**

The Bank suggests that its "assistance to the forestry sector should be formulated in the context of long-term perspective (25 years) to enable achievement of a sizeable impact" (ADB Policy on Forestry, p.24). This suggestion does not necessarily recommend that the benefits of such long-term forestry activities will be shared by the forest communities who are the traditional beneficiaries of natural forests. In addition, many governments of borrower-DMCs do not have a policy on long-term forestry practices.

## **IMPACTS OF EXTERNALLY FINANCED FORESTRY AND DEVELOPMENT ON PEOPLES, BIO-DIVERSITY AND GENETIC RESOURCES**

Tribal and indigenous peoples, known as the best custodians of natural forests, suffer most from multiplier negative impacts of mega-project development, deforestation, and commercial forestry practices. For example, massive logging in Kalimantan in Indonesia has economically marginalized many traditional forest occupants by "interfering in the swidden cycle, criminalizing small-scale woodcutting, and drawing many men into the logging economy as wage laborer" (Rush 1991:39). Those displaced because of large-scale government interventions in the forest are usually the ethnic minorities.

The case of the Malaysian indigenous people who are traditional occupants of the forest is worth mentioning. In Borneo, the two thinly populated states--Sarawak and Sabah--account for 70 percent of timber output. In Sabah, about half of the population are members of around 20 ethnic groupings (i.e., hill people). The hill people in Sarawak and Sabah are hunters, gatherers and traditional swidden farmers. The forest is their home and their culture is bound to forest life. They make a sustainable accommodation to the forest ecosystem. But the ecosystem is now seriously disturbed with the entry of mega projects relying on commercial forestry practices.



The Garo in the Madhupur and hill people in the Chittagong Hill Tracts (CHT) of Bangladesh are no better off than those indigenous people of Sarawak and Sabah of Malaysia.

Because the relationship between the forest and tribal and indigenous people is mutually supportive and allows both to thrive, the tribal and indigenous people always struggle to defend the forest. They are spiritually and reciprocally bound with the forest. The natural stands nurture their culture and provide them food, medicines, shelter and clothing. To make sure that the benefits from the forests continue to flow, the tribal and indigenous people use their profound knowledge to care for trees and other animals in the forest. Remarkable geographer Kart Pelter, they "are careful not to destroy their forest base. They do not overfish, they do not overhunt, they do not destroy the forest over wide areas" (Rush 1991:23).

The Garo tribal leader in the Madhupur forest in Bangladesh, Paresh Chandra Mree, makes a moving statement: "We are the children of the forest. We were born here. We were brought up here. We want to die here. We are so accustomed to forest life that we cannot survive if we get evicted from the forest." What Paresh Chandra says reflects the voices of most indigenous peoples living in the Asian forests.

One of the major agricultural practices of the tribal and indigenous peoples is slash-and-burn or shifting cultivation, which gets a very negative publicity and is often blamed for destroying forest cover. Condemnation of such tribal agricultural practice is often used to establish the rationale for the MDB-supported commercial forestry practices. But what gets little recognition is that if practised in a traditional fashion, shifting cultivation is not destructive. If a long fallow period is maintained, the farmed-over slash-and-burn fields reforest naturally. In many countries, because of settlement of lowlanders onto the land once occupied only by the shifting cultivating uplanders, the cycle for such cultivation has been drastically reduced.

The main concern should be the commercial timbering initiated by the European colonists and later continued by the post-independence forest departments. In the name of "scientific forestry" the local communities, especially the indigenous users of the forests, have been consistently deprived of their right over what was common property. The activities of the indigenous peoples on the forest land had been controlled and restrained so that the foreigners could harvest forests for profit. In fact, commercial production of timber on the forest lands has been introduced largely in the interests of the foreigners. The forest departments with their police forest forces work mainly for the government and those to make profit out of commercial production

of timber. In the process the local communities are often used as scapegoats and are made to become party to their own destruction.

In some countries, the customary right to land of the indigenous peoples is officially recognized and protected under state law. But legalistic loopholes are always found to make way for the loggers. Furthermore, because the tribal and indigenous peoples in most countries do not have self-rule and self-determination, any kind of investment for so-called development initiatives, forestry sector activities benefit the ruling classes, their business cronies, the bureaucrats, and the military.

## RECOMMENDATIONS

### ADB/Donors

1. *Be more sensitive to local needs:* Adoption of a policy on forestry by the ADB has extended its responsibilities in Asian countries. Not seeking an "intellectual and leadership" role as in the case of the World Bank in India which ended in a shambles, the ADB must become more sensitive to the local needs than ever. Local communities use the forest in innumerable ways, and their cultures relate to the forests. How local agro-ecological systems interact with forests in myriad ways has not been adequately studied and understood. the ADB must make a consistent effort to understand this to become a qualified role player in the forestry sector. It obviously has the right to make mistake, but it must not do anything that disallows community management systems to emerge. "A diversity of ecological conditions demands a diversity of management systems."

2. *Have a moratorium on clear-cut of second or second growth forest.* The Bank must take all practical measures so that a country receiving its loans does not clear cut its second or third growth forest to make space for commercial afforestation activities. In cases where commercial forestry is viable, the ADB must see to it that blanket harvesting does not take place at the end of a rotation.

There is clear and convincing evidence that community-based forest management strategies actually enhance and promote natural regeneration and can make "social" or "community" forestry a success. So communities must be preferred to private entrepreneurs, and communities must be awarded long-term tenure.

3. *Industrial plantation should be restricted to degraded forest land.* The Bank must strictly maintain that industrial and fuelwood plantations be established only on degraded and uninhabited forest land identified by the

local forest communities as suitable for such purposes. The forest communities also need to be satisfied, through adequate and appropriate consultative mechanisms, with the selection of tree species and management of forest cover.

**4. *Recognize self-rule of the tribal and indigenous peoples.***

Recognition of self-rule, self-determination and control over natural forest of the tribal and indigenous people is imperative for the protection and regeneration of the natural forest. This helps not only the local interests but also the international interests in the long run. The ADB, as well as other MDBs and international entities, must help the tribal and indigenous peoples in their struggle for self-rule and control over local resources, the forests being most important.

**4. *Recognize right over common property.*** Property rights over common property must be established, and practical measures must be taken to make sure that the local communities do not lose their right over their common properties. That the indigenous peoples are the right custodians of forest natural forest must be recognized, and therefore they should be allowed to share all fruits of the forests.

**5. *Consider innovations of the forest communities.*** The innovations, models and practices of forestry management that the forest communities or the indigenous peoples have developed must be given serious consideration. The tribal and indigenous peoples in the West Bengal have set an example of good forest management. Sponsored by the state and the forest department, the indigenous peoples have organized Forest Protection Committees (FPCs) and have contributed outstandingly to protect natural forest. The West Bengal model, though not above criticism, has been adopted in many other Indian states. The MDBs and others who are involved in the forestry sector may learn a great deal from such experiences.

**6. *Secure land tenure for indigenous peoples.*** The Bank and the governments need to be more sensitive and specific on the land tenure especially of the indigenous peoples. The Bank and the governments must differentiate between the prior rights of indigenous communities and other tenured migrants and the claims of more recent migrants. The Bank should amend and add to its policy provisions to see that Bank does not finance any project unless the customary land use, land tenure and resource use and ownership rights of indigenous peoples and other traditional forest-dependent communities are fully recognized and protected by their national governments. In the approval process of a forestry project, close consultation and approval of such communities should be made mandatory. The Bank should design a forestry project in such a way the traditional forest use is not disrupted.

**7. *Introducing modern technologies in forestry.*** Before the Bank introduces modern technologies (what it calls scientific knowledge and technology) in the forestry sector, the knowledge of the forest communities must be explored and applied.

**8. *Reexamine the investment strategy.*** The Bank must be extremely cautious about its investment strategy. In each individual project, the Bank must provide an appropriate definition of second-growth forests in the local context and make sure that the old-growth forests are left untouched. In no case shall plantations be established in areas where natural regeneration is highly probable to occur. Innovations and knowledge of the local communities/indigenous peoples are crucial in the management of such forestry practices.

**9. *Put pressure on governments.*** Governments always do not take into consideration opinions of communities which may undergo suffering as a result of certain forestry projects funded by the ADB (or MDBs). It also might not follow the guidelines for environmental impact assessment or other socio-economic studies, which are mandatory before formulating or executing certain forestry projects. In such case, the Bank and international communities can pressure governments to comply with guidelines set forth to minimize or mitigate the negative impacts of forestry projects.

**10. *Have DMCs to implement forestry projects on long-term basis.*** The Bank should make a sincere effort in the selection process of forestry projects. That is, make it obligatory for each borrowing DMC to implement forestry projects and engage the forest communities on a long-term basis to protect the investments and interests of participating communities.

**11. *Engage locals in monitoring projects, and practise transparency.*** The Bank in its regular project monitoring/review should include independent local environment experts and representatives of forest communities. The Bank must make the monitoring and review reports available to the public. Such information should be made easily available in Bank libraries or information depositories established in each country where the Bank operates.

## **NGOs/Citizens' Groups**

**1. *Promote citizens' actions and people's resistance.*** Organized citizens' actions are crucial for attaining success in establishing the rights of the local communities, indigenous peoples and farmers who live in forests. *Chipko Andolon*, "Hug a Tree" movement in Uttar Pradesh of India is an example of non-violent resistance to establish people's control over forest

resources. The approach eventually spread far beyond Uttar Pradesh. It might be useful for other Asian countries to draw lessons from the *Chipko Andolon* experience.

2. ***Create information bases.*** NGOs have right scopes to document the real causes of deforestation and identify who are the real custodians of the forests and who are the villains. West Bengal (India) experience is one example to look into. In West Bengal the tribal and indigenous peoples have played a pioneering role in protecting the natural stands, even without land tenure properly treated.

3. ***Monitor how Convention on Biological Diversity functions at the grassroots level.*** See that the provisions of the Convention on Biological Diversity are respected by the governments, MDBs and other local and national entities. Some key relevant key issues are put into the convention as: "Practices and innovations developed by indigenous peoples, which contribute to the sustainable use of biological resources and conservation of bio-diversity should be recognized, rewarded; state should control or eradicate 'alien' species which threaten ecosystems, habitation or species; and states should adopt measures for the recovery and rehabilitation of the endangered species and for their reintroduction into their natural habitats." The NGOs and citizens' groups can monitor whether these are respected at the field level.

4. ***Review critically the master plans for forestry development, and monitor Bank review.*** The NGOs and citizens' groups should review critically the MDB support for the preparation of master plans. The NGOs and the citizens' groups should also note that the ADB is committed to improving the supervision of Bank-financed forestry operations through a) strengthening review missions with adequate technical staff, b) increasing the duration and frequency of review mission, c) appropriate and timely follow-up of the findings of reviews, d) improved environmental project monitoring with appropriate local participation, and e) periodic consultation with people affected by the project. They should also note commitments made by the World Bank and other international entities and communicate them to the people and communities impacted by a project so that monitoring/review of such projects become transparent and better.

5. ***Use creatively the legal mechanisms.*** In some countries such as India, the legal mechanism, particularly public interest litigation (PIL) is functional. In some countries, the PIL or a similar mechanism does not exist. NGOs and citizens' groups can do the ground for a PIL to emerge as a legal venue for citizens' action.

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# ***Indigenous Peoples and the ADB***

**International Alliance of the Indigenous Tribal Peoples of the Tropical Rainforests, Maritime Asia and Pacific Region**

**D**evelopment has always been an alien word to indigenous peoples. The term has been equated with submerged villages, the destruction of rainforests, and militarization. Where these happened, displacement of households, loss of culture, loss of livelihood, poverty and diseases were not far behind. For many indigenous peoples, development has come to mean the loss of their identities.

Many indigenous peoples have been marginalized by so-called development projects funded by multilateral development banks (MDBs). Others have fought to ward them off through struggles, which usually entailed not only legal means. In fact, most of the successful struggles were waged outside of the legal arena by organized indigenous peoples. It was such struggles which earned the sympathy of various groups - local and overseas. Thus, from project-specific criticisms evolved a more systematic advocacy for a development strategy which not only repudiated environmentally destructive projects but also those projects that threatened cultural diversity.

This paper presents what are deemed as the main weaknesses of the Asian Development Bank's (ADB) Working Paper on Indigenous Peoples. It thereafter summarizes what indigenous peoples have been saying in their manifestos, placards and position papers on the issue of development. And for whatever it is worth, this paper strives to make some suggestions/proposals



to institutions (like the ADB) which have found for themselves a new cause in the plight of indigenous peoples.

***THE WORKING PAPER PERPETRATES MAINSTREAM DEVELOPMENT POLICY WHICH HAS BEEN THE SOURCE OF THE MARGINALIZATION AND OPPRESSION OF THE INDIGENOUS PEOPLES.***

The issue of development is conveniently missing in the paper. This is a topic which is conspicuously absent, considering that the violation of indigenous peoples rights is often intertwined with large-scale development projects supported by foreign banks.

It is observed though that the paper is predicated on a kind of development paradigm which is not spelled out in the document itself. This notwithstanding, the latter sections of the document reveal that proposed approaches and procedures are founded on development principles long adhered to by the ADB and other MDBs.

The Bank's policy on indigenous peoples states that its broad objectives is to "ensure that the *development process* (underscoring ours) facilitates their informed participation...." As its specific objectives, the Bank lists the following: 1) To ensure that indigenous peoples receive culturally compatible social and economic benefits from *development projects* and 2) To avoid or mitigate the *adverse effects* (underscoring ours) of such interventions.

The foregoing statements and terminologies such as "mitigatory measures," "those who may be adversely affected by the project," and other similarly stated phrases, collectively taken, express the kind of development policy pursued by the Bank with respect to indigenous peoples.

This explains why, in spite of the rhetoric (see contents of Parts I to V), the paper ends up proposing two particular procedures that have very little to do with the recognition of indigenous peoples' rights.

**THE ISA: NOT A GUARANTEE AGAINST  
DESTRUCTIVE PROJECTS**

The working paper first asserts the need for an initial social assessment (ISA) for every proposed project. Second, where projects affect indigenous peoples, the borrowers should come up with an indigenous peoples development plan.

Where the ISA identifies that indigenous peoples are likely to be

affected by the proposed project, the paper advises the proponent that: "development of the affected indigenous peoples should be incorporated as an integral part of the project". This statement sends the signal that for as long as there is an indigenous peoples' development plan, foreseen adverse effects of a project on indigenous peoples do not affect the Bank's approval of a project.

It is like saying that where a proposed dam is expected to cause the dislocation of 1,000 households of indigenous peoples in the project site, then the borrower has only to present a resettlement program to the Bank. This kind of approach will only result in a repetition of the sufferings brought upon the indigenous peoples by the implementation of MDB-funded projects done in the past.

An ISA *per se* can be viewed as favourable to indigenous peoples if its findings serve as premises for approving a project or not. It is not farfetched though that the results of an ISA will be merely used by borrowing countries to comply with the Bank's requirements for an indigenous peoples' development plan.

The paper clearly upholds the mainstream type of development ideology that indigenous peoples have opposed from the start. This observation is no less altered by sugar-coated statements contained in "key elements to ensure the successful development of indigenous peoples" (see Working Paper, page 14). Indeed, phrases such as taking "into full account the options preferred by the indigenous peoples or "support for production systems that are well adopted to the needs of indigenous peoples" are mere rhetoric.

It is to be noted that principles discussed in Parts I to V are mere adaptations from existing instruments on the issue of indigenous peoples. Whatever assertions there were in these sections have been reduced to rhetoric with the presentation of the Bank's policy on indigenous peoples as contained in Parts VI up to the end.

## PROPOSALS DO NOT OFFER ENOUGH

The proposals fail to address the criticisms thrown against the brand of development which the Bank has held on to. The proposed Operational Approaches, for instance, tends to be very technical and narrow in scope as against the rhetorical propositions which have been earlier discussed in the paper.

In Operational Approaches, the Bank seeks to "encourage its member

countries to recognize the indigenous peoples' rights over their lands". This is to be achieved in the following manner : a) assisting the country in the formulation of necessary legal and operational frameworks for delineating and managing the lands covered under a project; b) assisting countries in assessing and analysing the social, institutional, and economic implications of recognizing traditional land claims; and c) encouraging national governments to provide security of tenure for all land currently occupied and cultivated by indigenous peoples.

What the paper says is that there are countries/states which recognize indigenous peoples rights and countries which do not. As for the indigenous peoples in Asia, their experiences have taught them that there is only one kind of government--the latter.

Perhaps the closest one could get to (and as the paper states) is the case of the Philippines which has incorporated in its Constitution provisions recognizing the rights of what is termed as "indigenous cultural communities" to their ancestral lands. Even then, the paper admits that "the legal and institutional frameworks for making it operational are yet to be formulated." In the meantime, the existence of such provision in the Philippine Constitution has been no guarantee against projects which are disadvantageous to the indigenous peoples.

In fact, the existence of such a provision has even resulted in the greater oppression of Philippine indigenous peoples. Under the guise of recognizing the rights of the "indigenous cultural communities" over their ancestral lands, the Philippine government has instituted several programs of land delineation and resource management programs. These projects, rather than empowering the indigenous peoples have instead resulted in confusion and disunity among communities. It is no surprise then that for the more than six million Philippine indigenous peoples, the government's posturing as being pro-indigenous is but a way to deceive the indigenous peoples and to further their colonization.

The experience of the Philippine indigenous peoples vis-a-vis the government is a common one among indigenous peoples. Asian governments are among the worst in terms of their treatment of indigenous peoples. Many Asian governments deny the existence of indigenous peoples. In many areas of Asia, indigenous peoples are only recognized when their cultures can be capitalized upon for tourism purposes.

How far is the Bank then willing to go where it is revealed by a borrower's ISA that a proposed project is likely to affect people adversely?

As it is, there is little the Bank could do to pursue its avowed concern for the indigenous peoples in countries where their rights are not recognized. On the other hand, the Bank has been a powerful instrument in furthering the oppressed status of indigenous peoples through its projects. It would then be of great significance if the Bank starts to recognize the reality that it is governments themselves which violate indigenous peoples rights. In doing so, perhaps, the Bank can come up with more realistic approaches for a policy on indigenous peoples.

## **WHAT KIND OF DEVELOPMENT DO INDIGENOUS PEOPLES WANT?**

**1. Any development effort should recognize the existence of indigenous peoples and of their inalienable right to self-determination. It includes the non-conditional recognition of their rights to their territories, culture and political integrity.**

It includes putting a stop to : a) projects which undermine the rights of the indigenous peoples to their lands and the resources ; b) development activities which run in conflict with actual land use practices; and c) projects which destroy the human-environment harmony.

The cultural and political structures and practices of the indigenous peoples derive their substance and meaning from their relationship with the land. A sound development policy is one that recognizes the existence of existing cultural and political structures and practices.

**2. Any development effort meant for the indigenous peoples should be empowering .**

It should provide opportunities for strengthening the organizations of the indigenous peoples and advancing popular education. It should enhance, rather than erode, the existing socio-political structures which unify the peoples. Indeed, development should enhance cultural diversity rather than seek to assimilate different cultures into the dominant culture of a particular country.

This contrasts with the kind of development which breeds disunities and conflicts among the peoples, and which develops dependence on foreign-funding.

### **3. Development projects should be sustainable.**

This essentially means providing for present needs without sacrificing the future. Territories of indigenous peoples are still seen as sites of rich natural resources and are therefore targets for large-scale extractive industries and hydro projects. Development thrusts which view these irreplaceable natural resources as commodities for big business should be overhauled. What is needed is a development philosophy that seeks to maintain the harmony between man's needs and the capacity of the environment to provide, not only for the present, but also for the generations to follow. In this respect, indigenous peoples' knowledge and traditional resource management practices should be tapped for the greater good.

### **4. Development efforts should address the need of indigenous peoples' communities to achieve economic sufficiency and self-reliance.**

Development objectives should be determined based on the needs of the peoples and not on MDB-imposed standards ( i.e., growth-centered, export-oriented, consumption-oriented thrusts)

This primarily means being able to provide the indigenous peoples access to social, economic, and political opportunities towards eliminating poverty and attaining a better life. Any form of intervention by MDBs, in order to be meaningful, must support this goal.

In the agricultural field, this means veering away from development schemes which are export-oriented, import-dependent and input-intensive. Projects which have resulted in the destruction of the subsistence economies of indigenous peoples should be avoided.

Approaches and methods which are compatible to the needs and norms of the peoples affected should be formulated in order to replace questionable development schemes which have guided the implementation of projects in the past.

### **5. Development processes must be participatory at all stages.**

There is no better guarantee for the success of a development project than for it to involve the participation of the peoples throughout the entire process. This is consistent with the principle of sustainability and the goal of economic sufficiency and self-reliance.

This is in contrast to top-down development efforts which have more often than not failed to provide intended benefits to the beneficiaries.

## SPECIFIC PROPOSALS

1. There should be a moratorium on ongoing projects which violate the rights of indigenous peoples, and which has not gone through the process of consultation with the affected peoples, pending a study of how these projects can be revised as to avoid any destruction to lives and ways of life. Projects which, by nature, are destructive should be altogether stopped.

2. Project quality should also be evaluated on a project's capacity to genuinely improve the lives of the people. Parameters for project quality should be people-centered.

3. There should be a system by which governments and the Bank can be made accountable for damage incurred to lives and property as a result of a project.

4. Procedures on project-determination, planning, evaluation and monitoring should be overhauled in a manner that will allow for the participation of the indigenous peoples in proposed project sites.

5. The Bank is enjoined to veer away from large-scale projects that have proven to be destructive. The Bank should support smaller-scale projects which are sustainable and cheaper. This includes providing support to projects which seek to develop or discover alternative sources of energy which are environment friendly. In the field of agriculture, the Bank should support efforts to promote ecologically sound farming techniques.

The above are but short term proposals. Ultimately, the Bank has to address those issues which it has conveniently avoided in the draft Policy Paper. Concretely, the Bank, along with governments, has to recognize the fact that indigenous peoples exist and have rights that need to be recognized and promoted if genuine and sustainable development is to come about.

The issue of self-determination and control over lands and resources cannot be avoided when speaking of indigenous peoples. Hence, the sooner the Bank realizes that this fundamental right cannot be denied indigenous peoples, the better it is in a position to support indigenous peoples.


In the regional seminar on development and indigenous peoples convened by the Bank in 1995, the indigenous participants were united in their demand for more meaningful dialogues between them and the Bank. The Bank has to let go some of its pre-conceived notions on how to conduct

consultations and instead look at the indigenous peoples as co-equals and co-partners. Indigenous peoples have shown their sincerity in seeking a middleground by seeking to understand the ADB. The ADB is challenged to do no less.









# ***Campaign Paper on ADB's Involuntary Resettlement Policy***

**Sahabat Alam Malaysia**

**A**fter three drafts, with significant changes between the first and the final drafts, the Asian Development Bank's (ADB) Involuntary Resettlement Policy was approved in November 1995.

According to the Policy, "policy makers, planners, and development practitioners have come to accept that inadequate attention to resettlement does not pay in the long run; and costs of implementation problems caused by lack of good involuntary resettlement can far exceed the cost of proper resettlement" and that "impoverished people are a drain on the national economy" (para 29).

Thus, the Bank finds a policy on involuntary resettlement necessary to "spell out the objectives and approaches; set the standards in Bank operations; provide staff with a clear perspective on the issues; assist borrowers in addressing the issues; and adopt a formal procedures" (para 32) to address systematically resettlement issues.

The objectives of the Policy should be to "avoid involuntary resettlement wherever feasible; minimize resettlement where population displacement is unavoidable; and ensure that displaced people receive assistance, preferably under the project, so that they would be at least as well-off as they would have been in the absence of the project" (para 33).

Three important elements of involuntary resettlement identified by the Policy are “compensation for lost assets and loss of livelihood and income; assistance for relocation including provision of relocation site with appropriate facilities and services; and assistance for rehabilitation to achieve at least the same level of well-being with the project as without it” (para 34).

## **NGO CONCERNS OVER POLICY**

### **Involuntary Concept of Policy**

The Policy, being a policy on Involuntary Resettlement, is unacceptable to the NGO Working Group on the ADB, who firmly hold to the position that any project that causes involuntary resettlement should not even be considered by the Bank. The insistence on involuntary resettlement is blatant contravention of human rights.

This position is arrived at based on past experiences that have proven that most, if not all, projects involving involuntary resettlement not only failed to achieve their envisioned social and economic goals, but also cause social and environmental destruction and impoverish people. A recent World Bank review on its Resettlement Guidelines reported that “although the data are weak, projects appear often not to have succeeded in reestablishing resettlers at a better or equal living standard and that unsatisfactory performance still persists on a wide scale”.

### **Bank’s Rationale for an Involuntary Resettlement Policy**

The Bank’s rationale for formulating such a policy is another matter of concern because of the obviousness that it was primarily induced by the recognition that “the costs of implementation problems caused by lack of good involuntary resettlement can far exceed the costs of proper resettlement” (para 29). The Policy went on to say how “impoverished people are a drain on the national economy; thus, avoiding or minimizing displacement as well as proper rehabilitation of those displaced make good economic sense as well as being fair to those adversely affected” (para 29). The well being of those displaced and fairness to them came secondary. All in all, the whole orientation of the Policy is very much towards economic growth.

### **Mitigation Approach vs. Non-action Alternative**

Of grave concern is the way the Policy only assumes a mitigation approach to impoverishment resulting from development projects. Instead

of recommending the non-consideration of projects that involve involuntary resettlement, the Policy perceives involuntary resettlement as an unavoidable element of development. It has not adopted the stance of the Organization for Economic Co-operation and Development's (OECD) Guidelines for Aid Agencies on Involuntary Displacement and Resettlement in Development Projects, which calls for the serious consideration of "the alternative to refrain from carrying out the project (the non-action alternative)" and the exploration of "all viable alternative project designs".

The presence of an involuntary resettlement policy could easily be misused as a justification to carry out projects that displace people, so long as the displacement is minimized and the consequent problems mitigated.

### Unavoidability of Involuntary Resettlement

The Policy has not elaborated on what basis involuntary resettlement is considered as unavoidable. Though the Policy recognizes the importance of "examining development options that entail either no resettlement or minimal social and economic dislocation" (para 6), a detailed guidelines on the exploration of alternatives is absent from the Policy.

The assumption by the Policy that a development project that benefit the national economy and a larger section of the society is justification for the unavoidability of large-scale displacement of self-sustained agricultural and forest community, like in the case of a dam that last only 60 years, is questionable once seen in the light of long-term sustainability. Many projects that contribute to national economic growth have disastrous impacts on self-sufficient local economies, natural resources and social sustainability.

Nor has the Policy elaborated whether and how the affected communities would and could be engaged in a well-informed and democratic consultation exercise. These are crucial questions because the biased interests of a financial institution could result in the inclination of decisions so-called unavoidable necessity of a resettlement programme.

### Promotion of a Resettlement Industry

The Policy recommended that "to better ensure timely availability of required resources and to ensure compliance with involuntary resettlement procedures during implementation, eligible costs of resettlement and compensation may be considered for inclusion in Bank loan financing for the project, if requested" (para 34 (ix)). It also recommend the Bank to "build the capacity of the (borrowing) government and other project sponsors to effectively plan and implement involuntary resettlement projects and to

strengthen the DMC's capacities and macro frameworks for involuntary resettlement" (para 35). Such an approach strongly reflects the Bank's inclination towards the creation and sustenance of a 'resettlement industry'.

### Policy's Objective to Avoid or Minimize Displacement vs. Bank's Other Policies

It cannot be denied that most resettlements, especially large-scale displacements, are caused by the development of mega-infrastructure or energy projects. With this in view and bearing in mind that the priority objective of the Policy is to avoid or minimize displacement, it is thus very disturbing to note that the Policy does not allocate any paragraph or sentence to address how this objective could be incorporated in the Bank's other policies like the Bank's Energy Policy, the Population Policy, the Forestry Policy, Indigenous Peoples Policy, the Strategy for Private Sector Development and to determine the possibilities of these policies in undermining the Policy's priority objective. Correspondingly, no other policies of the Bank has any line on this either.

Even more disconcerting is the recent approval by the State Government of Gujarat to receive a financial assistance of Rs 3500 crore proposed by the Asian Development Bank. An Indian local newspaper reported that Rs 1000 crore (about 30 percent of the loan assistance) had been allocated for the strengthening of the State's finances; in other words, general funds.

With the controversial Sardar Sarovar Multipurpose Dam Project (SSMDP) being "the biggest infrastructure project" and incidentally "the biggest single item on Gujarat Government's annual budget, the NGO Working Group is concerned that this large sum of general funds could be indirectly used to revive the project. The NGO Working Group is anxious to know how the Bank intend to monitor the use of the financial assistance if the State Government of Gujarat use this money to free other finances to fund the dam project.

The ADB has chosen to consider sanctioning such a big loan to this provincial state, not a country, even after Japan suspended a 28 billion yen aid package in 1990 and the World Bank pulled out of the project in March 1993 due to the absolute failure of the resettlement programme. An independent review of the project, commissioned by the Government of India in 1993, found many fundamental flaws with the project so much so that the Review Group was told by the Supreme Court of India to study further the issue and provide concrete recommendations on the issues of hydrology, resettlement, environment and the potential necessity to reduce

the height of the dam and hence the size of the area to be submerged.

### **Omission of Practical Guidelines for the Implementation of Policy**

The question here is whether the Policy is implementable considering that the Policy has not spelled out concrete & practical procedures for the implementation of the Policy. In fact, the final draft of the Policy has omitted the core of an earlier draft dated March 1994, a section entitled "Critical Factors in Resettlement" which detailed the guidelines for resettlement, thus rendering the final draft a much weaker policy.

Besides, a well-planned resettlement programme, no matter how impressive and practical on paper, is no guarantee that it will be implemented well on the ground because as recognized by the policy itself, the effective implementation of a resettlement programme depends on the concerted efforts of many agencies. The policy had acknowledged that "complaints about compensation and resettlement procedures persist and stem mainly from delays in payment and diversion of funds by local governments into community facilities rather than payments to individuals" (para 13). The policy has not specified how the efforts and the capacity of those agencies concerned could be monitored.

### **Compensation Approach for the Affected Peoples**

The Policy states that "for any (development) project that requires relocating people, resettlement should be an integral part of project design" (para 34) whereby the affected people should be a part of the development project and as development is supposed to bring improvement to existing situations, so also the situation for the affected peoples must experience improvements as compared to their situation without the project. As such, the approach taken by the Policy in providing the affected peoples economic and social conditions that are "at least as favorable with the project as without it" (para 34 (iii)) is considered as insufficient compensation.

Besides, though the Policy has recognized that "complaints about compensation and resettlement procedures persist and stem mainly from delays in payment and diversion of funds by local governments into community facilities rather than payments to individuals", "lower compensation levels and slow restoration of pre-project standards of living of affected persons" (para 13), it has not attempted to discuss ways to guarantee timely compensation and rehabilitation or redress in times of delays.

## Definition of Affected Peoples

A clear definition of the "Affected Peoples" has not been provided for in the Policy thus the concern whether those who would be indirectly affected by a project would qualify as "affected people". This concern is a grave one as it is the major factor in deciding the eligibility of individuals to compensation and rehabilitation.

In the case of the Arun III Project in Nepal, there would be those who would be affected by potential dam construction-induced impacts, for instance, earthquakes, glacial lake out-bursts, river pollution, and depletion of natural resources as resettled communities are crowded into an existing village. These impacts usually are not visible until a long time after the dam is built.

## Insensitivity Towards Gender Perspectives

While recognizing that "women and households headed by them are likely to suffer more than men because compensation is often paid to the men, households headed by women usually have fragile economic status, and women have limited access to many support services" (para 10), the Policy has devoted just one sentence to address this issue. This sentence (para 34 (vii)) merely states that "particular attention should be paid to the needs of the poorest affected persons including...female-headed households;" no detail guidelines is provided on how "particular attention" could be paid to these needs.

## Bank's Capacity to Monitor Policy Implementation

To ensure effective implementation of the policy which includes regular monitoring of the involuntary resettlement aspects of projects, the Policy recommends that the Bank "develop adequate institutional capacity" (para 47): additional professional staff with sociology or social anthropology training; additional staff time; and additional financial resources for overhead costs of the Bank. What constitutes adequateness has not been defined.

The Bank is also recommended to review the experience with the Policy two years after the policy has been implemented (para 46). With about 32 loan projects being processed for 1995 likely to involve involuntary resettlement aspects, it is highly skeptical that the Bank would be able to develop its institutional capacity in time to put the Policy into practice. The Policy also make no mention of an independent review of the implementation of the Policy.

## Examples Used Not Acceptable

The Bank has used some of its previously financed resettlement projects as justifications for recommending properly planned involuntary resettlements as feasible. The Maharashtra Earthquake Relief and Rehabilitation Project in Bangladesh, the Batang Ai Resettlement Scheme in Malaysia, the Hopewell Power (Philippines) Corporation Project and the Jamuna Multipurpose Bridge Project in Bangladesh were quoted as examples. NGO experiences on the ground with regards to some of these projects say otherwise. The real situationer of the Maharashtra Earthquake Relief and Rehabilitation Project, the Batang Ai Resettlement Scheme and the Jamuna Bridge Multipurpose Project are explained in the Appendices.

## Application of Policy on Ongoing Projects

Except for a proposal to review the experience of involuntary resettlement, under a technical assistance, in on-going Bank-financed projects to identify projects and project components requiring remedial actions and to recommend strategies to enhance project performance (para 45), the whole Policy seems to focus on how future resettlement programmes could be improved. A proposed review remains a proposal until and unless it is approved as an exercise and the Policy did not indicate whether this proposal will be approved and if approved, how it would be carried out and what the time frame would be. Rather, the Policy states very clearly that it is applicable to all projects approved after 31 December 1995 (para 45).

Such a focus could not help but give the impression that the Bank's preference is biased towards keeping ongoing projects with problems-laden resettlement programmes as skeletons in a closet. The cases of the Masinloc Coal-fired Power Plant in the Philippines, the Jamuna Multipurpose Bridge Project, the High Voltage Transmission Grid in Indonesia and the Maharashtra Earthquake Relief and Rehabilitation Project are examples that seem to confirm this impression for the Policy had not deemed it necessary to address the immediate rectification of these fouled up resettlement programmes. See summary of cases in the Appendices.

## No Mention on Co-financed Projects

The Policy has not elaborated how the Bank would implement its Involuntary Resettlement Policy with projects that it finances with other donors. Though the Policy is formulated based on the World Bank's Guidelines and the OECD Guidelines on Involuntary Resettlement and thus contradictions among the different guidelines should not arise, the Policy has not touched on how implementation could be done together. The Policy



has quoted the Jamuna Multipurpose Bridge Project in Bangladesh, a project ADB co-financed with the World Bank, the Japanese OECF and the Bangladeshi Government, as an example of how "it is possible to improve the resettlement policy framework of a DMC by working closely with country institutions". The Jamuna Multipurpose Bridge Authority is mentioned as having formulated a comprehensive resettlement policy and plan for resettlement of the people affected by the project after receiving "intensive assistance" from the World Bank. It is not known how the three donors could monitor the implementation of the resettlement programme nor who would be held accountable for the possible failure of the programme.

### "Voluntariness" of Voluntary Resettlement

The Masinloc Coal-fired Power Plant & Batang Ai Resettlement Scheme are just two examples of the many "voluntary" resettlement programmes where affected families were either coerced or misled into accepting resettlement. If communities are not misled or coerced, communities are made to feel that the proposed projects are inevitable. Through effective endorsements made by political leaders even before the financing is approved, oppositors feel that their only option is either to accept the project as designed or simply mitigate its adverse effects.

On the one hand, the "voluntariness" of the affected Singosari people for resettlement is also questionable like the Masinloc and Batang Ai cases due to the absence of an alternative and the presence of military intervention.

On the other hand, the High Voltage Transmission Grid in Java, which is a project co-financed by the World Bank, the Asian Development Bank, the OECF and the Kreditanstalt für Wiederaufbau of Germany, is a special example of how a "voluntary" appeal for resettlement by the affected landowners is denied and how the Policy has not provided for such cases.

The Singosari people in East Java, the people of Kaneyan in North Sulawesi and parts of Sumatera who are affected by the construction of high/extra high voltage transmission lines, between 150 kV and 500 kV, over their houses have demanded the Government of Indonesia to resettle them to safe places. They fear that prolonged exposure to electromagnetic frequency created by such high voltage transmission lines would have adverse impacts on their health. Owing to the fact that experts of this field have yet to arrive at the same conclusion on the extent of the adverse effects of electromagnetic frequency on health, the Java State-owned electric company, PT Perusahaan Listrik Negara, has repeatedly dismissed the fears of the affected villagers and refused to resettle them. No adequate research nor Environmental Impact Assessments have been carried out with regards to

this project.

The ADB, being one of the funders of the project, have an obligation to ensure the health of these affected villagers and their offsprings are not compromised and to recognize that this is a project that had inevitably led to the necessity for undelayed resettlement.

## NGO RECOMMENDATIONS TO THE BANK

The above discussions converge on the fact that there should be no involuntary resettlement. As such, the NGO Working Group on the ADB recommends that:

a) the ADB should not consider any projects that entail involuntary resettlement,

b) the Policy adopts the OECD Guideline on Involuntary Displacement and Resettlement that in all projects, "the alternative to refrain from carrying out the project (the non-action" alternative) should seriously be considered",

c) the ADB should observe and operationalize the clause provided in its own Involuntary Resettlement Policy which says that "it is important to weigh the benefits against the costs of adverse impacts by examining development options that entail either no resettlement or minimal social and economic dislocation" even before a project is selected. This examination of development options should be done with the full participation of the directly and indirectly affected people after all information relating to the proposed project have been made available to them, and,

d) the right for directly and indirectly affected people to challenge the government to prove that a project is really for public interest must be provided for in the Policy. This includes giving effective legal remedies for communities to be able to seek a moratorium of the project even while raising serious challenges to their viability. The ADB should emphasize that community approval of the project is intimately related to the openness of State's political systems to tolerate dissent.

If at all resettlement is necessary, the NGO Working Group recommends that:

a) the ADB should ensure that a comprehensive Resettlement Plan is in place in every of its borrowing member countries,

b) the Bank should expedite a review of all projects involving ongoing

resettlement programmes and those identified as having violated the Bank's Policy or have incomplete resettlement plans should be canceled or rectified immediately,

c) the Policy should include an explicit and detailed guidelines for the formulation of a resettlement planning programme including timetable and budget,

d) the Policy should ensure that all information related to any proposed resettlement programme, including financial reports, resettlement review reports and action plans, must be released on time to the to-be-affected peoples. The directly and indirectly affected people must be ensured full participation in the formulation of criteria and options for resettlement and rehabilitation,

e) the Policy must be designed, with proper guidelines for implementation, to incorporate the special physical and cultural needs and circumstances of women, indigenous peoples and other vulnerable groups,

e) the definition of "affected people" must include all those people whose socio-economic and cultural life is partially or solely dependent on any part of the natural resources and other property taken over by a development project as a direct or indirect result of project-related activities,

f) the affected peoples should be made direct beneficiaries of all development projects and any consequent resettlement conditions must be an improvement on their conditions prior to the project. For rural resettlers that depend on land-based occupations, the Policy should adopt a land for land approach, providing replacement land of productive potential at least equivalent to the lost land,

g) the Policy must ensure a proper process of integration between resettlers and host communities to reconcile any conflicts,

h) the Policy should discuss in detail how timely compensation and rehabilitation for the affected peoples could be guaranteed and how the affected people could seek redress when compensation and rehabilitation is delayed,

I) the progress of the project should be made compulsory to correspond with the progress for resettlement and funding should be suspended if this condition is not met,

j) the Policy should call for regular independent reviews of the

implementation process of the Involuntary Resettlement Policy,

k) the Policy's objective to avoid or minimize displacements must also be reflected in the other policies of the Bank like the Bank's Energy Policy, the Population Policy, the Forestry Policy, Indigenous Peoples Policy, the Strategy for Private Sector Development, and,

l) the Policy should be applied to all loan sectors of the Bank, including the Private Sector.

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## APPENDICES OF CASES

### *Case I: Masinloc Coal-fired Power Plant, Philippines*

During regular visits to the area, Friends of the Earth-Philippine found that the actual implementation of the Masinloc resettlement programme is clearly in contravention of the objective of the Bank's Policy to "ensure that displaced people receive assistance, preferably under the project, so that they would be at least as well-off as they would have been in the absence of the project". No livelihood strategy was incorporated in the compensation package. Those who were coerced to accept the relocation/compensation package were only given cash and housing compensation though most of the affected families depend on farming or fishing for their livelihood. Thus, instead of having their livelihood lifted, the resettled families face the "loss of security of livelihood, mainly farming and harvesting resources of the sea"; "non payment of land and improvements, road right of way", non-completion of resettlement area with roads still in gravel and no potable water supply; and electricity charges more expensive than in Manila. Those who face expropriation charges from the government had to practically beg for the same packages as was availed by the earlier resettlers after failing to solicit legal remedies and the imminent demolition of their houses.

### *Case II: Jamuna Multipurpose Bridge Project*

This is a project co-financed by the World Bank, the Asian Development Bank, the Japanese Overseas Economic Cooperation Fund and the Government of Bangladesh. The ADB is reportedly supportive of the Revised Resettlement Action Plan (Dated October 1993) prepared by the Jamuna Multipurpose Bridge Authority (JMBA) in cooperation with and under the pressure of the World Bank to replace a problematic earlier Resettlement Plan. This revised Action Plan is supposed to rectify the problems faced by the earlier Resettlement Plan.

However, according to an investigative report which appeared in the April 1996 issue of the Earth Touch, entitled "Jamuna Multipurpose Bridge: Resettlement in Tough Struggle", the affected peoples still face the problems of corruption/bribes for receiving compensations, failure to offer land for land in the area, inadequate compensation causing the affected peoples to be unable to purchase comparable land and the lack of information regarding the grievance procedure.

***Case III: Maharashtra Earthquake Relief and Rehabilitation Project***

The Maharashtra Project Affected Persons Rehabilitation Act, 1986 of Maharashtra State, Western India, was quoted by the Bank as having "helped to provide an effective framework for satisfactory resettlement." A January 1994 Aide Memoire of the World Bank which stated that "active participation by the different social groups in each village, should ensure that the houses are built to designs which complement the lifestyle of the villagers.....It should generate a sense of involvement within the community which will hopefully counteract any feelings of dependancy which may develop because government is leading the construction effort".

However, a study done in 1994, a year after the Rehabilitation Programme, by the Action Research Unit (TARU) and Youth for Unity and Voluntary Action (YUVA), India, reported that "the situation on the ground is almost a complete violaiaon of the key principles of technology choice that were laid down by the Government of India Advisory Committee and the technical guidelines for the World Bank funded reconstruction programme" due to the lack of transparency in the decision-making process; the repeated incompetence in the handling of the damage assessment process; the inadequate sensitivity on the severe impact on the lives of the bulk of the affected community caused by the choice of building technologies unsuitable to the region by most donor agencies; the criminal incompetence in the process of clearance of the design of donor housing ; and the almost complete lack of an alternative system of mobilization and housing delivery at the grassroot level.

The indecisiveness of the Government to accept the temporary relief earthquake shelter as legitimate relocation sites caused the victims of the earthquake to suffer almost 8 months of uncertainty and discomfort before the Government decided to make the sites permanent. Improvements to the present living conditions were not carried out pending the major reconstruction and relocation programme. And due to the lack on consultation with the affected community, the villagers have difficulty accepting the present relocation sites because they are considerably far from fields and markets and thus place due stress on children and women to access infrastructure.

The report went on further to warn that "the programme is certainly edging towards a disaster" without the establishment of a commnity-based people's organization to take on the huge task of reconstruction of over 1.4 million houses at risk.

*Case IV: Batang Ai Resettlement Scheme, Malaysia*

The policy mentioned the Batang Ai Resettlement Scheme (BARS) in Sarawak, Malaysia, as an example of a "culturally sensitive and economically sound programme" because "the policies and plans to resettle the indigenous peoples affected by the Batang Ai Hydropower Project in Malaysia were carefully investigated and prepared".

Sadly, the September 1995 issue of the *Utusan Konsumer*, a bimonthly newsletter of the Consumers' Association of Penang, reported that even the Sarawak State Government officials have openly admitted that the BARS was a failure. Ten years after the BARS was created, many of the natives, who were once forced to move, tell the same sad story of deep regret, disappointment and deprivation. They continue to speak about the failure of the State Government to keep its many promises and how life has never been the same since their resettled years.

During a week-long survey in the BARS in mid 1995 by the officials of Sahabat Alam Malaysia (SAM), many of the natives spoke of how each family is promised a free bilik (family room), comparable to the size of their old bilik, in a new longhouse of durable ironwood; free electricity; free water supply; 11 acres of land for each household for paddy and cash crops; and an agricultural scheme ready for the resettled communities to work on, once they were resettled, to generate their income by five times more than what they had been normally earning before resettlement.

But the reality that each resettled family had to face was the payment by installments within a twenty-five-year period of RM27,000 for a new bilik, which is much smaller than their old bilik; a meagre compensation sum of RM350 (about US\$140) per acre of land sacrificed; poorly constructed longhouses in some areas; electricity bills; water bills; unavailability of land for planting paddy for about two or three years because their new cultivation land were already being inhabited by other communities; an agricultural scheme that took two years after the Ibans were resettled to get off ground only to become a failure because the area designated was unsuitable for cultivating the crops selected; meagre wages from the agricultural scheme and joblessness for the rest of the family as only one person from each family is allowed to work with the scheme. On top of all these, the resettled Ibans also lost their ancestral lands and their independence in deciding their own livelihood.









# ***For Renewable Technologies: A Critique of the ADB Energy Policy***

**Aviva Imhof  
AID/WATCH Australia**

**E**nergy is a crucial commodity for developing countries and is central to the economic growth model of development. The promotion of industrialization and private sector investment in developing countries requires large-scale, capital-intensive energy generation projects. These projects, out of necessity, utilize either fossil fuels or hydroelectricity and more often than not are social and environmental disasters. They displace populations, have significant health impacts on local communities, result in acid rain, contribute to global warming and destroy forest areas.

Reflecting the massive economic growth occurring in the Asia-Pacific region, the energy sector has been the largest lending sector of the Asian Development Bank (ADB) since its formation in 1966. Almost US\$10 billion has been provided for energy loans, which represents 25.87% of total Bank lending. In 1995 the Bank spent \$1,791 million on energy projects, representing 32.55% of lending for the year.

The Bank itself has acknowledged that the majority of its energy lending does not go to rural areas but to fuel rapid industrialization. It has stated that:

"Although power subsector lending has accounted for about 75 per cent of the Bank's overall energy lending, only a modest portion is devoted directly to the electrification of DMC (developing member country) rural areas, where 70 per cent of the people live."

The essential question, therefore, is who actually benefits from energy expansion in developing countries? Certainly it is not the rural poor, who are forced to rely on traditional, inefficient sources of energy such as fuelwood, animal dung and agricultural waste, and who are the victims rather than the beneficiaries of energy projects. More likely it is the local elite, multinational corporations, and the foreign bankers, who continue to have their debts repaid on time.

The crucial issue then becomes the model of development the Bank is pursuing. NGOs question the social and environmental sustainability of the pursuit of economic growth at all costs. All too often it is the poor who lose out. If the Bank is truly concerned about the economic and social advancement of DMCs, its energy portfolio should concentrate on reaching those in need—the rural poor—and encouraging renewable sources of energy generation and Demand Side Management (DSM). It is essential that the Bank, as a development institution, work towards a sustainable energy future for low-income countries rather than promoting outdated and obsolete technologies such as coal and large hydro developments.

Over the past five years the Bank has made some progress on improving the efficiency of electricity generation, transmission and distribution in its developing member countries. The Bank has likewise encouraged greater efficiency through improved metering and billing. This is not surprising, given that efficiency on the supply side is crucial to increasing the profits of power producers and utilities. It is now absolutely essential that the Bank work on reducing demand for electricity through energy efficiency measures.

The Bank Policy for the Energy Sector, approved in May 1995, reveals a new emphasis on Integrated Resource Planning, energy efficiency and renewable energy. This is a welcome addition to the Policy Paper, as is the Bank's commitment not to finance any nuclear power generating facilities. However, whilst stating that the Bank will continue to fund fossil fuel and large hydropower expansion, the policy states that renewable energy systems are "best owned and operated by the private sector." The Bank, at most, will provide technical assistance to DMCs to assess the economic viability of such technologies. This is simply not good enough. Unless there is a radical change in the energy program of the Bank, this institution will further contribute to the widening gap between rich and poor in its DMCs.

The aim of this report is to examine the Bank's progress on energy lending and its implementation of the energy policy paper. Section II provides an analysis of projects approved in 1995 and in the pipeline for 1996/97. This reveals that the majority of Bank funding is still going to traditional energy projects such as coal, hydrocarbons and large scale hydropower rather than renewable energy and demand side management.

Section III analyses the social and environmental implications of the Bank's increasing emphasis on privatization of energy generation, transmission, and distribution. Whilst there is no doubt that electricity privatization will encourage improvements in the efficiency of electricity generation, there is little incentive for privatized energy utilities to encourage efficiency on the demand side, since their profits will depend on selling more electricity. It is argued that any lending for energy sector reforms must result in an industry with incentives to promote energy efficiency and renewable technologies. Unregulated energy sector reform will simply fail to deliver this.

Section IV looks at the Bank's role in the development of the Greater Mekong Subregion. The Bank, through its Subregional Energy Sector Study, has identified 12 projects, primarily hydropower, for which it will finance feasibility studies, provide technical assistance, directly finance and/or mobilize resources from other multilateral and bilateral agencies and the private sector. The cumulative impacts of a number of dams along the Mekong River and its tributaries are potentially devastating.

Section V looks at the imminent threat of climate change and argues that the Bank should immediately adopt a climate change policy.

Section VI examines how the Bank is continuing to subsidize traditional power generation activities at the expense of renewable technologies. It is asserted that the Bank, as a development institution, should take the lead in the energy sector and finance renewable energy systems in its DMCs. Expansion of the grid is a socially and environmentally unsustainable form of electricity distribution. Instead the Bank should be vigorously promoting decentralized electricity generation.

## **THE BANK'S PROGRESS ON ENERGY LENDING**

The Bank's Policy states that "in general, before agreeing to finance new capacity addition, the Bank will have to be satisfied that the utility is paying attention to both supply side efficiency options such as economically sound rehabilitation and retrofitting of existing plants, system loss reduction and optimizing system operations, as well as demand management options."

Furthermore, the policy states that "the power grid will be extended only if it is a lower cost option than decentralized generation based on diesel, mini hydro, solar, biogas and wind energy, with all costs accounted for in economic terms in an unbiased manner."

The policy makes it clear that the Bank aims to mitigate the environmental impacts of energy generation and transmission. Whilst it states that the Bank believes that many DMCs cannot substantially reduce their large dependence on coal to meet their commercial energy needs, it makes it clear that environmental and social sustainability is the key to energy expansion in DMCs.

So does the Bank's portfolio live up to its policy?

### 1995 Energy Sector Loans

In 1995 the Bank financed 11 energy projects at a total cost of \$1791.5 million. This consisted of: four projects almost exclusively involving expansion of the grid, two natural gas projects, two loans for coal fired power stations, one hydropower project, one rehabilitation project and one project that involved construction of a natural gas power plant, expansion of the grid and privatization of the power sector. Amongst these projects were a number of controversial and destructive projects, with notables being the Masinloc Coal Fired Power Plant (termed Northern Luzon Transmission and Generation) and the Indonesian Power Development and Efficiency Enhancement Project.

The most revealing part of this portfolio is the conspicuous absence of any lending for either renewable energy or demand side management. The Bank's policy on DSM has obviously not yet been translated into actual Bank lending. What we see instead in the 1995 Lending Portfolio is funding for traditional energy projects: 40 per cent on expansion of the grid, 25 per cent on coal, and 20 per cent on natural gas. Even according to the Bank's own classification system, only one project was growth-oriented, meaning primarily economic growth but with a minor part being social and environmental considerations. All others were classified as traditional growth projects.

The Bank has increased its lending for natural gas, which is a relatively clean fuel that emits less carbon dioxide (CO<sub>2</sub>) than coal and oil. This should be encouraged. As the most versatile of the fossil fuels, gas lends itself to a range of decentralised applications, including fuel cells that may soon allow small businesses and homeowners to generate their own electricity. However,

in the long run, natural gas is likely to become a bridge to non-polluting hydrogen fuel. The Bank should be lending now for energy into the future such as solar, wind and geothermal energy.

Similarly, whilst it is commendable that the Bank is dedicating resources to rural electrification (40 per cent of 1995 energy lending), the Bank's policy recommends decentralized renewable technologies as a viable alternative to expansion of the grid. The Bank would be better placed to fund community-based, small-scale decentralized renewable energy systems rather than investing so many resources in grid expansion.

### *Philippines: Masinloc Thermal Power Station*

In 1995, despite vigorous local and international protest, the ADB approved Stage 2 of the 2x300 megawatt(MW) Masinloc coal fired thermal power plant in the Philippines. Discretely included under the "Northern Luzon and Transmission Generation Project", the \$254 million loan—consisting of transmission lines, substations, and installation of the second 300 MW generating set at Masinloc—is also being co-financed by other sources, including the World Bank. Stage One was a 1990 loan of \$200 million for the first 300 MW generator, construction of which has just started.

From its inception in 1989, the Masinloc project has always been controversial. The site chosen was a 106 hectare area in Barangay Bani, surrounded on three sides by sea, and inhabited by a community dependent on century-old mango trees, fishing and small-scale agriculture. From the outset, the local and surrounding populations made it clear that they were opposed to the project.

The project has far-reaching social and environmental impacts. The community has been resettled, some of the century-old mango trees have been uprooted, the perimeter bay is endangered, and the ambient surroundings in danger of being polluted. A once peaceful, self-sufficient community has been destroyed in the name of development. Former residents who did not have any choice but to negotiate for compensation were resettled in dwellings initially without piped water and without a means of livelihood.

The Masinloc disaster could have been avoided through investment in a range of renewable energy sources on Luzon Island. These would have been faster to construct, cheaper, and would not have had to rely on imported fuel sources (the coal for Masinloc will be imported). Instead, the Bank has supported yet another coal fired power station and the multinational giant Mitsubishi, who will be making profits from the sale of the power, at the expense of the local community and the environment.

*Indonesia: Power Development and Efficiency  
Enhancement Project*

This \$337 million project has seven components, including expansion of transmission lines, construction of the Peusangan Hydropower plant in Sumatra, Human Resource Development, and the engineering design of two hydropower plants in Sulawesi and in West Java. Communities in Indonesia have raised concerns about the following aspects of the project:

a) On the engineering design of 74.8 MW Palu 3 Hydroelectric Power Project in Central Sulawesi: The reservoir will flood some areas of the Lore Lindu National Park, destroying the forest and biodiversity of the area. The project will result in resettlement of indigenous people living in the reservoir area. For several years there has been strong resistance from indigenous groups and local NGOs. They question whether Central Sulawesi province actually needs the amount of energy that will be produced by the power plant. This seems a clear case where the needs of the local population would be better served by small-scale renewable energy systems.

b) On the construction of the 86.4 MW Peusangan Hydropower plant in Aceh, Sumatra: The Bank claims in the President's Report and Recommendation to the Board of Directors that there is a need to relocate six houses, one junior high school, two elementary schools, one kindergarten and two praying houses. The Report states that "All those affected have agreed to move and build houses on the lands that they own with compensation provided by the Project." However, according to local NGOs, the officers responsible deliberately underestimated the size of the land and the number of houses and other buildings to be relocated. When this was discovered, the compensation was stopped. The inhabitants, who are hinterland people, were not fully aware of this manipulation of key data, and agreed to move. Now they are complaining as they have not yet received any compensation.

On the construction of high and extra high transmission lines: In this project, NGOs are pushing for a guarantee that the transmission lines will not pass through residential areas, and that there are adequate safety measures in place to ensure that people will not be adversely affected by the lines. No option of locally based electrification has been included in the project.

### 1995 Technical Assistance

The Bank's 1995 Technical Assistance (TA) portfolio is certainly more diverse than its lending portfolio. The largest recipient of funding was privatization, which is not surprising given the Bank's stated support for

private sector involvement in the energy sector. The second largest sector was DSM, which received 14.20 percent of Bank TA funding. Renewables received a modest 5.52 percent of funding. Traditional sources of energy generation, that is coal, hydrocarbons and hydropower, still swamped DSM and renewables, receiving a total of 27.26 percent of TA funding.

To date, most of the ADB's DSM and renewable TAs have been in the form of advisory and operational grants, and have not led to project lending. This is true of the 1995 TA program. Of all the DSM and renewable grants, only one was a Project Preparation grant, the Xi'an-Xianyang-Tongchuan Environment Improvement TA in China. Conversely, there were four project preparation grants for traditional energy sources.

### Projects in the Pipeline for 1996/97

The figures for projects and TAs in the pipeline for 1996/97 were taken from the February 1996 edition of Business Opportunities and the Bank's Country Program Notes for 1995-97. Therefore, not all projects and TAs accounted for will actually be implemented. Furthermore, it was difficult to determine the category of lending for some projects/TAs due to inadequate information. These projects were simply put into an "uncertain" category. Given that the Bank's lending portfolio is determined by its Country Programming, the Country Program Notes gives a reasonable indication of the direction of Bank funding.

For projects in the pipeline for 1996/97, only 4.10 percent of funding is going to DSM for one project in China and 3.42 percent to renewables for one project in India. In contrast, by far the greatest recipients are traditional energy sources: 16.91 percent for coal, 19.82 percent for hydrocarbons, and a massive 27.11 percent for hydropower. Furthermore, in the uncertain category a number of projects were classified as "Traditional Growth" projects; therefore we may assume that they will be traditional power projects. This trend is curious indeed given that the Bank's policy states that in general the Bank will only fund new capacity addition if the utility is funding both supply and demand side efficiencies.

Again in TA activities we see a much greater proportion for DSM (11.5 percent). However, most of these are Advisory and Operational TAs rather than Project Preparation, therefore virtually none will result in a project.

In the Country Programming Notes, there is a heavy emphasis on privatization of the energy sector, as revealed by the 20.6 percent of 1996/97 TA grants going towards privatization, specifically towards restructuring the country's power sector. It should also be noted that in many cases



Institutional Strengthening, which comprises 16.05 percent of TA grants for 1996/97, is often a precursor to privatization.

Some controversial projects in the pipeline include the Kali Gandaki "A" Hydropower Project in Nepal, the Balagarh Thermal Power Plant in India which involves the construction of 2x250 MW coal-fired power station, the Nam Leuk Hydropower project in Laos, and the Kalayaan III and IV oil power stations in the Philippines.

## **Conclusion & Recommendations**

The Bank's portfolio shows no real shift towards renewable technologies or DSM. The Bank is continuing to support traditional, environmentally and socially destructive energy supply projects such as coal, large-scale hydropower and hydrocarbons. The Bank's country programming for 1996/97 in the energy sector does not comply with the Bank's stated energy sector policy of encouraging DSM and renewable technologies as alternatives to grid extension and new capacity.

The Bank should immediately review its energy sector portfolio for 1996/97 to ensure compliance with the Bank's Energy Policy, particularly with respect to Integrated Resource Planning. New Country Programs must be formulated, having at their core support for DSM and renewable technologies.

The Bank should place an immediate moratorium on lending for new coal-fired power stations and large-scale hydro developments. Small-scale projects are economically feasible and result in far less environmental and social destruction.

The ADB should guarantee that no high-voltage transmission lines will pass over residential areas in projects it is financing. Furthermore, the ADB should support comprehensive research on the social and environmental impacts of high-voltage transmission lines.

## **PRIVATIZATION**

The main thrust of the Bank's energy sector policy is to privatize the generation, transmission and distribution of electricity. In short, the Bank advocates "sector restructuring...involving unbundling the mix of generation, transmission and distribution to enable greater private sector participation....It advocates corporatization and commercialization of government-owned utilities as a prelude to their privatization and the entry of private sector through BOO/BOT options(build, own, operate/build, operate, transfer)."

NGOs are opposed to the Bank's privatization bias because it results in a power transmission and generation system governed by the profit motive rather than the needs of local communities and the environment. The private sector is less accountable and more secretive than governments, making it difficult for local communities to have a say in power developments. (For example the Hopewell coal fired power station in Pagbilao, Quezon Province, which was co-financed by the Bank.) More specifically, NGOs are concerned about the following:

### **Privatized Utilities and DSM**

Advocates of privatization often argue that it results in greater efficiency in all aspects of energy generation, transmission and distribution. The privatization of energy utilities is likely to result in efficiency in generation. However, an increase in electricity sales is needed to sustain the profits of the privatized companies, therefore there will be little incentive for privatized utilities to aggressively pursue DSM. Furthermore, private sector investment often results in ad hoc power development. This will undermine any attempts by the Bank or Governments to develop Integrated Resource Planning for the power sector.

The solution is to put in place a regulatory structure that works to make energy efficiency the preferred option, usually by allowing larger profits to be made on energy efficiency investments than on investments in new power stations. The Bank fails to mention this in its policy paper, a significant omission given that one of its stated policy goals is DSM. In encouraging privatization, the Bank should provide institutional strengthening assistance to governments to establish strong regulatory frameworks.

### **Putting Energy Efficiency First: Examples From Abroad**

#### ***United States of America (USA):***

Some regulators in the USA allow utilities to include both DSM costs and part or all of lost revenues into their rate base. DSM, and energy efficiency, thus becomes an activity that can earn additional rates of return. The idea is to charge more for electricity to encourage DSM. In 1990, New England Electric System implemented an energy efficiency programme totaling \$65 million, which saved consumers \$160 million. The utility was able to keep 20 per cent of the monies saved to act as an incentive for the programme.

#### ***New South Wales, Australia***

The Government requires retailers to develop plans for energy efficiency, DSM strategies, and strategies for purchasing energy from

sustainable resources.

The following conditions are imposed on a retail supplier's licence:

1) that the licensee develop strategies based on a reduction of greenhouse emissions in negotiation with the Minister and including independent verification of emissions

2) that the license holder develop one, three and five year plans for energy efficiency and demand management strategies, and strategies for purchasing energy from sustainable sources such as cogeneration, purchasing of renewable energy, buyback schemes from grid-connected solar cells on buildings and remote area power systems.

### **Making Independent Power Producers Accountable**

NGOs are concerned that independent power producers (IPPs) are even less accountable than government bodies and will not adhere to social and environmental standards unless forced to by strong government regulation. For example, when the Philippines was in the midst of a power crisis in 1993, the private sector enjoyed legislated exemptions from social and environmental standards in BOO/BOT projects. The secretive nature of private corporations makes it difficult for affected communities to get information about proposed projects before it is too late. It is essential that the Bank, when promoting BOO/BOT projects, provide assistance to governments to enact stringent social and environmental laws so companies are forced to comply with the highest levels of transparency and accountability.

### **Privatization and Renewables**

Renewable technologies now make up only a tiny fraction of the independent power projects proposed by the private sector, and this will not change unless more attention is paid to how generating technologies are chosen. Renewables involve high capital outlay and low operating costs, making them less profitable than traditional energy sources where profits are made throughout the life of the plant. Furthermore, the array of government subsidies available to the private sector for fossil fuels and large hydropower plants, as evidenced by the ADB's energy lending portfolio, renders renewables less cost competitive in private generation markets than in publicly developed projects.

## **EMPLOYMENT**

In a sample of 40 developing countries in 1991, state enterprises accounted for 4.1 percent of all jobs. The privatization of state enterprises

will usually result in a loss of jobs. The Bank does not come up with a strategy on how to resolve the problem of increased unemployment arising from privatization.

## PRICING

Privatization of utilities inevitably results in a price increase for consumers. Whilst it is acknowledged that electricity tariffs in DMCs are currently uneconomic, the concern is that once a utility is privatized tariffs are sure to increase beyond the cost recovery rate. For example, in the United Kingdom (UK), according to the Oxford University regulation expert, George Yarrow, electricity prices over the first couple of years of privatization were "25% higher for domestic customers and up to 19% higher for industrial customers than would have been predicted on the basis of a continuation of pre-privatization trends."

## RECOMMENDATIONS

If the ADB is to fund private sector involvement in the power sector, it should incorporate the following conditions:

1. In the privatization of a state-owned electricity utility, the Bank should provide assistance to governments to establish strong regulatory regimes that require utilities to implement DSM and adopt renewable technologies. Every private sector investment must be developed as a part of an Integrated Resource Plan (IRP) for the power sector.
2. The Bank should require DMCs to establish regulations that mandate independent power producers to adhere to adequate environmental and social regulations and respect the rights of indigenous peoples.
3. The Bank should provide subsidies to the private sector to invest in renewable technologies in preference to traditional sources of power.
4. The Bank should ensure that workers made redundant through privatization are offered alternative income generating programs.
5. The Bank should insist on a government-regulated cap on energy prices for domestic consumers in DMCs.

## DEVELOPMENTS IN THE MEKONG REGION

In 1992, the ADB facilitated the establishment of the Greater Mekong Subregion, comprising the Yunnan Province of China, Burma, Thailand, Laos,

Vietnam and Cambodia. The aim of the Subregion is to coordinate infrastructure investments and various social and economic activities to strengthen members' competitive position and growth prospects. The ADB conducted studies in transport, energy, telecommunications, environment and natural resource management, human resource development, trade and investment, and tourism.

The Subregional Energy Sector Study, prepared by Norconsult International, provides a framework for the development of the energy sector in the Greater Mekong Subregion. It deals with the hydropower, oil and natural gas, and coal subsectors, and looks at the feasibility of a grid system for integrating supply and demand for hydroelectricity in the subregion. The study explores ways of encouraging private sector participation in the energy sector.

The report promotes hydropower as a renewable technology and the most environmentally benign solution to the demand for energy in the Subregion. This reveals a fundamental flaw with the entire study. The study does not give any consideration to development of decentralized energy systems or to renewable technologies other than large-scale hydropower. No comparison is made between the costs of constructing new power plants and transmission lines versus the cost of renewable small-scale technologies. Furthermore, given that a great part of the demand for energy in the region comes from Thailand, there is no consideration of the implementation of DSM measures as an alternative to the construction of new power plants.

The Study recommended eight hydropower and transmission interconnection projects, two oil and natural gas projects, and one institutional project, and were endorsed by the six countries at the Third and Fourth Ministerial Meetings held in Hanoi in April 1994 and Chiang Mai in September 1994 (see box for outline of projects). A Subregional Electric Power Forum was established in April 1995 as part of the institutional framework for sustaining subregional cooperation.

The Study states that:

"... a recommended development scenario of the Mekong hydropower resources is to develop mainstream projects in the upper basin (Yunnan Province) and tributary projects with reservoirs if possible in the lower basin. Thereafter run-of-river projects on the main stream in the lower basin are advised."

### **Proposed Projects for ADB Assistance**

**Xe Kong and Se San basin hydropower development in Cambodia, Lao PDR, and Vietnam, incl. transmission interconnection among these countries and Thailand. Estimated cost: US\$1 million**

The basin study will look at all possible solutions for hydropower as well as multipurpose use of the water within the basin. Around 26 projects for the area have been identified in previous studies.

**Prefeasibility Study of the Nam Tha Hydropower Project including transmission line to Thailand.**

The 230 MW Nam Tha Hydropower Project is located in northern Lao PDR on the Nam Tha, 30 km from the Lao/Thai border. Estimated cost is \$296 mill with \$25 mill from the Bank.

**Feasibility Study of Power Transmission Interconnection from Jinghong Hydropower Plant to Thailand.**

Feasibility of transmission line to Thailand from Jinghong Hydropower Project (1,500 MW) located on upper Mekong in Yunnan Province.

**Nam Theun Basin Hydropower Development Study including Transmission Interconnection Estimated cost: US\$1 million.**

Prepare a basin study to identify the hydropower potential of the basin, propose projects and sequence of development taking into account the present projects. 7 projects have previously been identified, including ADB-financed Theun-Hinboun and the Nam Theun 2 presently awaiting guarantees from World Bank.

**Thanlwin Basin Hydropower Development Study in Myanmar and Thailand including transmission interconnection between the two countries.**

Prepare a basin study to identify the hydropower potential of the basin for supply of energy to Thailand and Myanmar. Five projects have previously been identified.

**Implementation of the Theun Hinboun Hydropower Project in Lao PDR including interconnection with Thailand. Estimated cost: US \$265 m with \$60m from the ADB.**

The project is a run-of-river type with an installed capacity of 210 MW. ADB financing was approved in 1994. Power is for export to Thailand.

**Immediate Interconnection of Existing Power Systems Prefeasibility Study.**

Prefeasibility study of viability of a series of interconnections throughout the subregion.

**Long-Term Subregional Generation and Transmission Development.**

Study of integrated transmission system to ensure that all relevant aspects are covered at least cost.

**Implementation of the Yandana-Bangkok Gas Pipeline. Estimated cost: US\$1.1 billion.**

Establish a system for transport and sale of natural gas from Myanmar to Thailand. Will generate revenues for Myanmar. Bank is expected to contribute \$20 mill. to Thai side of pipeline.

**Planning and Preparedness for Emergency Response to Marine Oil and Hazardous Substances Pollution.**

Strengthen the capabilities of authorities in Cambodia, Myanmar, Thailand and Viet Nam to handle and quickly respond to accidental spillage of marine oil and hazardous substances .

**Electric Power Forum     \$10,000-15,000/country/annum**

Forum comprised of authorities and utilities in the various countries of the subregion. Permanent and ad hoc subgroups to study:

- system planning, including DSM
- catchment protection program
- strengthening of environmental units
- management of reservoirs and river flows
- economics and financing (incl. private sector participation and pricing of power exchanges)
- Power sector human resources development.

**Strengthening of legal and institutional planning and framework for effective water management.**

Establish forum for discussion and clarification of issues related to the utilization of water resources. Solve disputes that may arise.

The ADB will provide a range of assistance to these projects. The Bank will conduct feasibility studies, provide technical assistance, directly

finance some projects, and mobilize resources from other multilateral and bilateral agencies and the private sector. As such, the ADB is a major catalyst for hydroelectric developments in the Mekong River Basin.

Other hydropower projects in the pipeline include:

1. Nam Leuk Hydropower project, Laos. A 60 MW run-of-river scheme diverting water from the Nam Leuk river to Nam Ngum reservoir. Co-financing by the Overseas Economic Cooperation Fund (OECF) is anticipated. The total cost will be \$119 million, of which the Bank will finance \$58 million.

2. Feasibility Study for Nam Ngum 5 Hydropower, a 200 MW project in Vientiane Province in Laos. A Project Preparation TA to the tune of \$1.5 million is in the pipeline for 1997.

3. Feasibility Study of Kamchay Hydropower, a 128 MW project located on the Kamchay River in Cambodia. A Project Preparation TA to the tune of \$0.5 million is in the pipeline for 1997.

## Impacts of Proposed Developments

The ADB's involvement must be seen in the context of plans for the development of the Mekong basin as a whole. China has three mainstream projects in the pipeline, and Vietnam has identified two tributary projects. Currently the Lao Government is considering at least 50 hydropower projects for its Mekong tributaries. In addition to this, in late 1994, the Mekong Secretariat released a report funded by the UN Development Program and the French government. The report proposed construction of a cascade of "run-of-river" hydropower projects on the mainstream of the Mekong River.

The Mekong Secretariat advocated the run-of-river projects as a means of minimizing socio-economic and environmental impacts. The defining difference between run-of-river projects and storage dams is the size of the reservoir. Run-of-river dams generally have little storage capacity, and their generating output is proportional to the rate of flow at a particular time. However, the nine run-of-river projects recommended by the Mekong Secretariat Report would inundate 1,000 square kilometers and displace an estimated 61,200 to 65,650 people.

The 50 million residents and countless river and floodplain biota of the basin depend on the Mekong's annual flood-drought cycle and all the natural functions driven by this process. Planned water resource developments threaten the integrity of this system on a grand scale.



## Social and Environmental Impacts

### *Hydrology*

The proposed hydropower projects vary greatly in size and are scattered at great distances across the Mekong Basin. While some of the effects of the projects will be local and relatively insignificant, their cumulative impact could be quite severe. Obviously, the greater the degree of river regulation, the greater the level of overall ecological impact.

Steve Rothbert, from the Hydropower Reform Coalition, undertook a study of the possible cumulative impacts of 36 proposed projects on the hydrology of the Mekong River system. He found that several locations on the Mekong would experience drastic alterations of natural flow patterns. Vientiane, the capital of Laos, would experience a decrease in water flow of up to 70 percent, while the downstream-most monitoring station, Kratie, would experience the least alteration of flow, 29 percent.

Regulating the natural flow patterns to this extent will likely decrease the frequency with which floods rise above the river banks. Much of the lower Mekong Basin floodplain is relatively level, and over 75 percent of agriculture along the river depends on annual flooding for irrigation and deposition of fertile soil. As a result, a moderate decrease in flood levels could deprive thousands of hectares of agricultural lands of the beneficial annual floods.

### *Sediment Transport and Reservoir Sedimentation*

Rivers carry sediments eroded from the hills and river banks upstream, nearly all of which are trapped by the storage dam reservoir. Trapping sediments behind dams will affect the river system both on the local and basin scale. Locally, the river channel downstream of dam projects will experience river bed and bank erosion as the river re-acquires the sediment load it lost in the reservoir upstream.

On the basin scale, each individual tributary project is unlikely to have a significant impact. The cumulative impact, however, could be important. Lao tributaries contribute over 25 percent of the total Mekong sediment load. If all the tributary projects are constructed as proposed, the entire river system downstream of Laos could experience significant reductions in sediment deposition rates.

### *Agriculture and Wetlands*

The Mekong River deposits between 10 and 30 millimeters of fertile silt each year during the flood season on forests and floodplains in Cambodia and Vietnam. If agricultural lands do not receive annual deposits of silt, either because of reduced inundation or diminished sediment transport loads, productivity will decrease significantly unless supplemented with major inputs of chemical fertilizers. The addition of chemical supplements could significantly raise farmers' costs, and fertilizer runoff could contaminate receiving waterways on which residents rely for drinking water and fishing.

Moreover, reservoirs will inundate fertile agricultural lands in river valleys, particularly along the Mekong mainstream. Though data is unclear, reports suggest over 1,000 square kilometers of agricultural and forest land in Laos will be lost to reservoirs.

### *Forests*

The projects proposed for the Mekong tributaries pose a major threat to forests in the basin. Of the 23 dams scheduled to be built in the next two decades, 16 dams will conflict with an existing or proposed conservation area. This will have an enormous impact on biodiversity in the area. Besides the direct impact of inundating vast forest areas for reservoirs, forests near dams will suffer secondary impacts such as logging, road construction, and worker settlements.

In addition to this, a Canadian study has shown that the inundation of forest area contributes to the greenhouse effect. When soil and forests are flooded the vegetation begins to decompose, releasing into the atmosphere both carbon dioxide and methane. The research group found that emissions of greenhouse gases from reservoirs could be as significant, on a per unit of energy produced basis, as those from fossil fuel power stations.

### *Fisheries*

Although very little basic research has been conducted on Mekong Basin fish, this is believed to be the aspect of Mekong River ecology which is most vulnerable to hydropower development. Fish are an important food source for the people of the Mekong basin, as well as a vital link in the food chain. Effective mitigation measures do not exist for tropical rivers with rich fish faunas.

Significant loss of habitat and isolation of stocks from historic habitat will lead to lowered productivity, decreased biodiversity, increased incidence of rare and endangered species, and conversion of preferred fish to less

desirable and less marketable species. All the proposed dams will block fish migration. This alone could cause a drastic decline in fisheries throughout the lower Mekong River.

### *Social Impact*

#### **a. Reservoir-related human diseases**

Reservoirs created by dams provide a breeding ground for insects, snails and other animals, which act as the vectors for the spread of water-borne disease parasites. Such diseases include malaria, flukes such as schistosomiasis, Japanese B Encephalitis, onchocerciasis or river blindness, and dengue fever.

#### **b. Displacement**

The Mekong Committee estimates that the nine proposed mainstream dam projects will displace at least 61,200 people. Tributary dams could force the relocation of up to 40,000 people, though the data is unclear.

Resettlement has a severe impact on the lives of oustees. Communities are dispersed, families are alienated from their surroundings and clan, and very often families are left without independent means of subsistence. Where cash compensation has been given for land, it is invariably lower than the cost of new land, both because of the underestimation of the value of oustees' holdings, and because of the boom in land prices near a new reservoir due to the greater demand for the remaining farmland. When replacement land is given, it is rarely of an equal quantity or quality to that lost.

Resettlement is also associated with an increase in morbidity and mortality for oustees. The main causes of illness are malnutrition, poor hygiene and sanitation at resettlement sites, and the parasitic waterborne diseases which invariably follow large water development projects in the tropics.

### **Conclusions and Recommendations**

It is clear from the foregoing that the cumulative impacts of a number of dams in the Mekong Basin make these projects unsustainable. These dams will have far-reaching implications for both the environment and the people of the Mekong Basin region. The beneficiaries will be industry and large corporations in Thailand, while the rural people of the Mekong region suffer.

It is time the ADB abandoned funding of medium- and large-scale hydropower schemes and encouraged its DMCs to move towards renewable energy systems.

1. The ADB should focus its attentions in the Mekong subregion on rural electrification utilizing decentralized renewable technologies.

2. Any plans for the development of the Mekong subregion must incorporate the full participation of local communities in order to determine their development priorities.

3. The Bank should fund DSM and renewable energy programs in neighboring countries such as Thailand to reduce their need for expansion of power generation.

4. The Bank should fund no portion of the Myanmar-Thailand gas pipeline or the Thanlwin Basin Hydropower Study. The Bank has a policy of no funding to Myanmar whilst serious human rights violations persist. These projects will offer indirect financing to Myanmar. It is well known that any export revenue earned by Myanmar goes straight into purchasing arms to oppress the citizens of Burma and the ethnic minorities in the surrounding areas.

## THE NEED FOR A CLIMATE CHANGE POLICY

Over 160 governments, including most of the ADB's DMCs, have signed the Convention on Climate Change (CCC) Framework. At the Berlin Climate Summit in 1995, the parties agreed that the commitments under the Convention are already inadequate and a new Protocol will now be negotiated for agreement by the third meeting of the Parties in Japan in 1997. It will contain a time line for reductions in greenhouse gas emissions (GGE).

Developing countries played a key role at the summit: keeping pressure on the industrialized world to cut their emissions and also to transfer technology. In fact a group of 72 developing countries linked additional commitments by the Organisation for Economic Cooperation and Development (OECD) to transfer of technology.

The ADB's Energy Policy states that "The Bank will take global environmental concerns into account by quantifying the expected net addition of greenhouse gases resulting from a relevant project in that project's EIA (Environmental Impact Assessment)....The Bank will support DMCs to abide by the objectives of the Convention through technical assistance."

Whilst it is commendable that the Bank has recognized the importance of global warming, these statements are by no means sufficient. First, it is not enough to merely quantify the expected addition of greenhouse gases from a relevant project. The Bank should be playing a more proactive role in preventing GGE by only funding climate friendly projects. Second, the Bank should be encouraging DMCs to reduce their GGE not only through its TA program, but also through its lending program.

Lending institutions like the ADB can play a key role in financing projects which transfer positive climate friendly technology, which like solar power is already deemed to be cost effective by the World Bank. A climate policy for the ADB will not only help the Bank maintain consistency with the Climate Change Convention, but will also guide the Bank's energy policy so that the environmental costs of GGE are reflected in Least Cost Planning.

It is important for developing countries not to be saddled with technology (like the Masinloc power plant in the Philippines), which as a result of the CCC will be obsolete in the next twenty years, and as such an economic liability. Further coal expansion today means that developing countries will be dependent on fossil fuels for at least 30 years to come. It is certainly more economically viable for the Bank to fund renewable and DSM energy projects that will last well into the next century.

### Recommendations

The Bank should develop a Climate Change Policy that:

1. Requires the economic assessment of all power projects to include the environmental and social costs of GGE
2. Restricts the Bank's energy lending to renewable technologies, expansion of natural gas, DSM and supply side efficiencies.
3. Assists DMCs in implementing National Action Plans in the power sector, which will lead to significantly lower emissions of greenhouse gases.

### ALTERNATIVES

The Bank's energy policy recognizes the potential of decentralized renewable energy systems, particularly for rural electrification. The policy acknowledges that such systems are becoming economically viable, particularly compared with the cost of grid extension. It states that:

"Significant technological advances are being made in solar and wind energy systems. Because capital costs of these options are coming down as a result of such advances, they are becoming reasonable decentralized solutions for remote locations in isolation or in combination with other energy supply options."

However, the policy goes on to state that:

"Such systems should be marketed and serviced by the private sector and the Bank should at best provide lines of credit to local development finance institutions or commercial banks, as well as TA for a better understanding of the scope, costs and risks involved."

This is a most alarming statement. The policy offers no reason as to why the Bank should leave renewable energy systems to the private sector and not offer loan assistance. In contrast, the policy makes it clear that the Bank should continue to fund fossil fuel and hydropower expansion if the utility pays adequate attention to both supply and demand side efficiencies. This is borne out by the Bank's energy portfolio for 1996/97, which heavily favors hydropower and fossil fuel expansion.

With the Bank's continuing subsidization of traditional sources of energy at the expense of renewables, it is no wonder that renewable technologies are still generally seen as unviable. Traditional fuels such as coal, oil, and hydro are artificially cheap as the price of the electricity they produce does not include their substantial environmental, social and health costs.

Rapid advances in energy technologies will create new opportunities for developing countries in the next two decades. Developing countries should avoid investing heavily in antiquated coal and oil technologies, and instead move forward with fuel cells, wind power and solar energy. In 20 years, according to a study by the US Environment Protection Agency, renewables could meet one-third of the world's energy needs, compared to only one-seventh today. This could reach two-thirds of the world's energy requirements in another 20 years.

The diversity of renewable electric technology makes them suitable for providing bulk power to existing electric grids; electrifying isolated villages, households, and islands; or supporting utility transmission and distribution systems. Renewable generating facilities are on average smaller than fossil fuel and nuclear plants, thus reducing construction time and financial risk. Whether on or off-grid, modular generation sources can be located closer to customer loads, reducing the need to invest in transmission and distribution systems.

## Renewable Resources for Power Generation

### *Solar Thermal Technologies*

Solar thermal technologies generate electricity by concentrating sunlight onto a line or point where heat is transferred to a fluid that drives a turbine. Solar thermal is capable of supplying large quantities of electricity to the grid at a low cost, and utilizing far less land than hydropower. According to the World Bank, solar energy is capable, in principle, of supplying five to ten times the total electricity demands of developing countries today while occupying land areas less than the size currently used by hydroelectric projects. It is possible to construct solar thermal power plants of up to 300 MW.

In 1994 Enron Corp, a major natural gas company, announced it would install a huge solar thermal plant in Nevada and sell electricity at 5.5 cents per kWh (kilowatt-hour), less than the cost of many coal-fired plants. In desert locations, according to Stephen Kaneff of the Energy Research Centre at the Australian National University, the dish solar thermal system can generate power for as little as four cents per kWh. And according to a World Watch Institute Report, solar power plants covering less than one percent of the deserts of Xinjiang could meet China's current electricity needs.

### *Solar Photovoltaic Installations*

Photovoltaic (PV) installations already serve tens of thousands of household and other uses in rural Asia, Latin America and Africa. At present costs, PV installations are used primarily to supply individual users far from electricity grids, although interest is growing in using central PV power stations for remote villages. The strength of sunlight in most developing countries is sufficient for PVs to operate economically. A 48-watt PV system can provide six kilowatt hours of electricity per month, costs \$600, pays for itself in less than five years and lasts 20 years. This provides power for five lights, a radio/cassette, a television and a blender.

In May 1994 Martin Green at University of NSW (New South Wales) announced the development of efficient PV cells using low grade silicon. He claims that in about ten years the cost of solar electricity, using these cells, could be cut from today's 30 to 40 cents per kWh to about five to eight cents.

### *Wind Power*

Wind turbines can generate either grid-connected or independent power. Wind resources are sufficient to produce thousands of megawatts of power in Asia and Latin America. India alone is estimated to have 20,000 MW of potential wind capacity. And by the year 2000, it plans to generate 5,000 MW of electricity from wind. In 1992, at the best sites in Denmark and California, the best locally manufactured wind generators, installed in large arrays (or wind farms), generate electricity at around 4.5 cents per kWh, assuming an eight percent discount rate.

### *Biomass Energy*

Biomass energy involves the direct combustion of agricultural and forestry residues for combustion in turbines. Biomass currently provides nearly one-third of the total energy consumed in developing countries. Within the next 20 years biomass could provide one-eighth of the global energy budget. A variety of agricultural and timber wastes and energy crops can be converted to provide a range of transport fuels, or they can be burnt to generate electricity. Like fossil fuels, the gas can be burnt in small efficient power stations, which maximize the energy content of the fuel by generating electricity at the same time using the waste heat. The cost ranges between six and eight cents per kWh, certainly comparable to the costs of coal.

### *Micro Hydro Projects*

Small-scale hydroelectricity for decentralized use has particular application in developing countries because of the substantial hydraulic resources of those countries. It is estimated that 26 percent of global technical hydropower lies at sites between 10 kW and one MW, and 95 percent of all sites lie below the one MW limit used in most statistical estimates. In fact, hydro potential under one MW could provide more electricity than all existing hydroelectric schemes, and at a cost of around 5 cents per kWh.

### **Conclusion & Recommendations**

As shown above, renewable technologies are commercially and economically viable for large- or small-scale applications. Incorporating renewable projects and efficiency measures on both the supply and demand sides in current energy infrastructure needs to be the starting point for development programs. The financial benefits as well as the environmental spin-offs are very attractive. Using development assistance to encourage developing countries to adopt renewable energy programs and energy efficiency measures will help to improve energy security by reducing long-



term dependence on imported fuels, as well as reducing energy use and cutting pollution at its source.

The ADB should restrict its energy lending to renewable technologies, expansion of natural gas, DSM and supply side efficiencies. The ADB needs to undertake policy and operational reforms so that its loan evaluation criteria, management reward structures, and analytical and planning tools are not biased for conventional power generation technologies and against renewables.

The ADB should consider the establishment of a Renewable Energy Development Fund in DMCs to offer finance to local community-based renewable initiatives.







# ***ADB Population Policy: A Synoptic View***

**International Alliance of the Indigenous Tribal  
Peoples of the Tropical Rainforests,  
Maritime Asia and Pacific Region**

## **T**HE POPULATION PROBLEM

Population is one of the most talked-about subjects today. The national and international efforts are not enough to guarantee even a reasonably comfortable living for us all. One single reason for this is the ever-increasing pressure of population on the limited resources of the nations.

More people means: More mouths are to be fed. More men, women and children are to be provided water to drink, pollution-free air to breath and houses to live in, and so on. Many economists do not agree to the view that a main cause of poverty is alarming growth of population over the years in the Asia- Pacific region. They cite examples of several countries like UK, Japan, Belgium and Netherlands which have high density of population but with lesser poverty. Yet there are many other countries such as Ethiopia, Angola, Somalia and Sudan which have lower density of population but the problem of poverty there is even worse. According to some other economists, the solution to the problem of population growth lies in radical change in social relations and institutions. They want a reconsideration of the order of social and developmental priorities as far as

the rural population is concerned. Then only, they believe, can the economy develop the potential to absorb the impact of the fast growing population in the Asia Pacific region.

Illiteracy, non-acceptance of small family norm, and education of women are among the stumbling blocks in the way of achieving desired results in the field of population control.

World population today grows by more than 90 million each year. Every new person presents a claim on the planet's limited and often non-renewable resources.

**TABLE I**  
*Estimated and Projected Populations of the World:  
Population(million), by series:*

Year	Medium	High	Low
1950	2.516	2.516	2.516
1975	4.079	4.079	4.079
1990	5.292	5.327	5.262
2000	6.261	6.420	6.093
2025	8.504	9.444	7.591
2050	10.019	12.506	7.813
2150	11.543	28.025	4.299

Figures for 1950, 1975 and 1990 are estimates.

Source : Population Reference Bureau, Washington.

The implications of the magnitude of population growth are too obvious to need reiteration. Already, it has diluted much of the benefits of substantial economic growth. Widespread malnutrition persists. Urban slums are exploding across the land like venomous cancers. Deforestation and despoliation of natural resources proceed apace. Further, the pressure of population exacerbates rural conflicts and social tensions.

The Task Force Improving Project Quality admits that only 60 percent of the projects are satisfactory under the Bank criteria. But for the project failures, ADB primarily blames the borrowers. The evaluation of ADB projects is based not on poverty alleviation, creation of sustainable livelihood and the enhancement of national resource base but on narrow efficiency considerations.

The new policies and operational guidelines, specially in the last two years, intend to improve project performance. In reality the new policies and guidelines contain many weaknesses. The detailed analysis of each of the Bank's new policies on population, energy, indigenous peoples, etc., is of great importance towards making new recommendations and presenting alternative measures. This paper's particular contribution to the broader effort of critiquing Bank policies is its analysis of the Bank's Population Policy and its presentation of recommendations and alternative measures, which can become part of the Policy document.

## THE REVIEW

The Population Policy paper identifies population growth as a cause of poverty. In doing so, the Bank unduly blames the poor for their poverty as well as for environmental degradation. The Population Policy ignores a more important point: That the ADB put more resources to finance women health needs, education, access to credit, and employment. Further the Bank's population programmes should ensure quality family planning facilities, offering a wide range of methods with easily accessible information available for individuals to make sound choices relating to their well being. Any family planning activities must be entirely voluntary in nature.

The Population Policy should respect women's rights to development and education as ends in themselves. Women's organizations should be fully consulted on the Population Policy. And women's health-care services must include health care for women of all ages.

The Population Policy, needs to put in place political, economic and social measures to promote family planning. Similarly, the Policy should integrate family planning with health and other programmes such as nutrition, food, clothing, shelter, education, employment and women's welfare. The Policy then should cover all aspects of family welfare.

The other facets of the Policy are raising the marriage age of both boys and girls and emphasizing female education. The new approach is educational and puts stress on voluntary acceptance of family planning by the people. The thrust of the Population Policy is to give the dignity and right of the citizen to determine the size of the family. This principle is noble, but it is easier said than done.

We must indeed put emphasis on non-family planning approaches like raising educational level of women and girls, raising the age of marriage, and using mass media for propagating family welfare programmes.

The success of family planning depends greatly on the attitude of the younger generation. Introduction of population and massive adult education programmes can create basic awareness about the population problem. This would go a long way in bringing about changes in values and outlook.

Productive gainful employment in rural areas is a necessary condition to bring about poverty alleviation and improve the quality of life of rural people. However, a focus on larger numbers of employment opportunities should be accompanied with better health and education facilities and large investments in the agricultural sector.

A growing problem is that young rural women are now a source of cheap and unorganized labor. They are increasingly employed in production for export by national and multinational agents.

The Bank's gender approach suffered considerably from its close and almost exclusive identification with contraceptives, particularly with sterilization. Sterilization falls mainly on women. In the 1990s, official data show that about 75 percent of sterilization performed in different countries were female sterilization. The setting of sterilization targets, without being sensitive to what women really want, has given the population sector programme a negative image. Tubectomy is dreaded by women and is thought of as a last resort after giving birth to many children. On the other hand, vasectomy is avoided by men because it is thought to produce impotence.

It is time the Bank changed the Family Planning Programme for the better, making it a positive effort in which couples are persuaded, not compelled, to plan their families. The marrying age of women can be pushed up to 21, providing a condition for women to pursue education and gainful employment and to recognize the ideal of raising a small family consisting of one child or two children.

A baseline study could be quickly taken up to gather and consolidate the basic data towards formulating a concrete, practical population program, with realistic targets. (Examples of data to be obtained are literacy, infant mortality, spacing and the like.) The results of the baseline study should then be publicly disseminated through a massive education and communication programme.

On another plane, scientific research needs a breakthrough in contraceptive technology. Pharmaceutical companies seem to have lost interest in contraceptive technology. According to the Ford Foundation,

such loss of interest in developing people-oriented (or woman friendly) contraceptive technology is a result of, among other things, the strong anti-family planning lobby in the United States. A breakthrough in non-invasive techniques could make a vital difference.

Another essential point is that maternal and child health care and children's welfare are absolutely essential for ensuring lower fertility. One reason why poor families prefer to have many children is because it serves as an insurance that some will survive, given the high mortality rate among the young. Hence, having healthy children not only reduces the mortality rate but also brings down the fertility rate.

This involves immunization to pregnant and nursing mothers; nutritional inputs to infants, and a whole array of medical and childcare facilities for mothers and children. It is the rural population, without prejudice to the urban dwellers, who must be given priority for this kind of program, which must be involved.

### Socio-Economic Consequences

The Asia and Pacific region with its 2.97 billion people, contains the world's most populous countries. Asia's population growth accounts for half of the world's annual population increase.

The rapid population growth poses a serious barrier to economic growth and social advancement. In large households parents invest smaller resources in each child for food, schooling and medical care. The pressure of frequent births is cumulatively harmful to women and the survival chances of their children. This reduces the quality of human welfare and makes it difficult to invest in the future. Economic growth is not sustainable if a large majority of the poor population do not share in its benefits.

### Policy Options

Several policy options for stabilizing population are explored. The Bank's population policy has several limitations.

First, the task of promoting contraceptive technology has become ineffective because the operational details for achievement of targets are often not worked out.

Second, the distribution of contraceptives does not necessarily imply their use. Conventional contraceptives (condoms) are dumped in primary health centers and Sub-centers or distributed to some health functionaries



and depot holders. Also, there are not enough detailed figures on the number of women who are regularly taking the pills, the number of women who have retained the IUDs, and the number of men who are regularly using the condoms.

The delivery system for the supply of contraceptives in rural areas has several drawbacks. Moreover, information regarding the use of contraceptive devices as well as other methods of family planning are not shared openly in the rural areas on account of the prevailing taboos regarding sex. Arrangements must, therefore, be made for easy access to information on the family planning practices and technologies and for ensuring availability of relevant devices and good sterilization.

Third, as regards sterilization, its impact on fertility would depend on the age at which the acceptor got himself or herself sterilized and the number of children they already have. It is common knowledge that people in rural areas who opt for sterilization generally do so after they have produced the desired number of children, which is at least four or five. Sterilization of this type which really amounts to closing the stable door after the horse has already run away, is not expected to bring about any significant decline in the birth rate.

Fourth, the emphasis on contraceptive technology underestimates the role of so many other factors affecting fertility. These factors include social, cultural and economic factors like age at marriage, sex preference for children, child mortality, religious beliefs, cost of children's education, economic condition of the couple, literacy level, etc. It need not, however, be inferred from the above limitations that contraceptives have no role. But it should be part of a more comprehensive, not a one-point, programme.

It is not the growth of national income as such but the rate and content of growth which is important in this context. A slow growth rate, which does not change the pattern of socio-economic life for the bulk of the people, as has been the case in India, would have little effect on fertility. Similarly, an iniquitous growth which leaves bulk of the people in the poverty trap would not reduce overall fertility though it may have the effect on a small minority of the affluent.

Further, if economic growth in rural areas is brought about mainly by agricultural development, then this may even tend to raise rather than lower fertility. It has been noticed that the raising of household income tends to reduce the work participation rate of the female population. In the absence of any other change, this may tend to encourage rather than discourage reproductive behavior. A study of district level data in India by Dr. S.C.

Guilt supports this hypothesis. The study as reported in "Journal of Quantitative Economics" pointed out that agricultural development activities in India had "a significant but promotive impact on fertility and inhibitive impact on contraception.

Most of the leading demographers and exponents of population control hold the view that the raising of the age of female marriage would lower the birth rate. Dr. Ashish Bose, in his presidential address to the eleventh annual conference of the Indian Association for the Study of Population, asserted that "demographic history all through the ages and right up to the recent history of China, has demonstrated the importance of raising the age at marriage as an important factor in making a dent on the birth rate of traditional societies." It must be noted, however, that raising the age of marriage does not lead to major changes in reproductive behavior. It is a factor in lowering the birth rate, but its impact on the reproduction period is marginal.

Any policy package has to be powerful enough to overcome the combined force of inertia, tradition, religious social, cultural and caste factors. Two factors that are relevant for this discussion are a) child labor in the form of being involved in domestic work or in being employed to supplement the family's earnings and b) the lack of opportunities for women.

In this regard, it is crucial to address the following:

First, child labor must be discouraged or even prohibited, depending on the context. This is necessary from the point of view of assuring the healthy growth (mind and body) of children.

Second, the employment of children, specially girls, for fulltime domestic help should likewise be stopped. The children should instead be sent to schools or training programmes.

Third, job opportunities for women in rural areas should be created so as to encourage women to take jobs, thus reducing the pressure for children to work to raise family incomes.. But job-creation in the rural areas, specially for women, may require an emphasis on non-agricultural activities, that is, rural industries and services.

Fourth, the quality of health care facilities and the level of nutrition, specially for pregnant women in rural areas, should be increased substantially so as to reduce the risk of infant mortality.

Fifth, a massive campaign should be launched in the rural areas to increase the awareness about the need for family planning and the provision of a better future for children.

## CONCLUSION

We are in a disaster situation as far as population growth is concerned, and we thus have to make urgent and concerted efforts to bring down the increasing rate of population. In this respect, we put forward the following crucial points as part of the strategy on Population Policy:


1. We should concentrate much more than we have been doing on female literacy. (There is a close correlation between fertility and female literacy.)
2. We need to focus on the welfare of children, specially child health care, which is a condition towards lowering fertility rate.
3. We have to develop a broad, effective insurance and pension system.
4. We need to develop a national, mass movement on population control involving central government, state governments, corporations, municipalities, and grassroots organizations.

To sum up, the policy package should include: a) better availability of family planning information and services, b) discouraging child labor, c) sending children to schools, vocational or training institutions, d) greater outside job opportunities for women, e) lowering of infant mortality through better nutrition and health care facilities for women, and f) campaign for better awareness on the need for family planning.

The famous exhortation from the third chapter (verse 14) of *Kathupanishad*, though first articulated thousands of years ago, is as relevant today as it was that time. It calls upon us to awake and to arise and to move forward across the razor edged path towards our chosen goal. Though many of us think that we are awake, in fact on many levels, we are asleep and no longer open to the great currents of spiritual power that have swept across the long and tortuous corridors of time. And once we awake, we have to rise, mobilize our material, financial, intellectual and spiritual resources and start moving onwards. No where is this more true than in the field of population control.







# **Working Paper on the ADB-WID**

**Group of Ten\***

## **B**ANKING ON WOMEN

More than a decade after the Asian Development Bank (ADB) underscored the greater role of women in the realm of development, through its adoption of the much vaunted Women in Development (WID) program in 1985, an assessment of the Bank operations vis-a-vis its gender policies is but timely.

For this initial presentation of the study, the Group of Ten (G-10), a Philippines-based alliance of women NGOs, looked at ADB's operations and its attempts to fulfill its declared gender considerations by zeroing in on the Philippine experience.

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\* Formed in 1990, G-10 was originally a ten-member network of NGOs which includes: General Assembly Binding Women for Reform, Integrity, Leadership and Action (Gabriela), Katipunan ng Bagong Pilipina (Kabapa), Katipunan ng Kababaihan para sa Kalayaan (Kalayaan), Women's Committee of the National Council of Churches in the Philippines (NCCP-WC), Women Development and Technology, Inc. (WDTI), Women's Studies Association of the Philippines (WSAP), Women's Resource and Research Center-National Women's Information Consortium (WRRC-NWIN), WomanHealth Philippines, Writers in Creating Cultural Alternatives (WICCA). The concepts and assertions of this study are largely taken from the ideas formulated by G-10 contained in the book "Protecting Women's Gains from Aid that Traps: Women and Aid in the Philippines." This paper was prepared by Prof. Maureen Pagaduan, Ana Marie Dizon and Jo Acereno for the Group of Ten.

For the meantime, the study examined one case, representative of the physical infrastructure end of ADB projects, the Angat Water Supply Optimization Project (AWSOP). Moreover, the study looked at the realm of ADB's social infrastructure projects, often known to be the traditionally women-targeted projects like health, education, microcredit, housing and small-scale water projects by examining the data furnished in the book entitled, *Women and Water: Domestic Shallow Well Water Supplies and the Family Handpump Scenario*.

A close look at ADB's gender politics in the Asian region is also necessary but for the time being is not covered by this paper. At the moment, the Philippine delegation is welcoming the general experiences of other Asian countries for incorporation.

## AID AND ITS FRAMEWORK

The dominant growth-oriented development paradigm produce twin problems of poverty and underdevelopment. These twin problems allegedly exists because of a number of factors one of which is the lack in capital investment.

The proponents of this development strategy prescribe the creation of big business as one way to curb poverty. With the creation of enterprises, gainful employment could be provided. Both low levels of employment and productivity are best buoyed up by the prevalence of market forces. (Pagaduan and Perez-Corral, (eds.) 1996)

Aside from adhering to a market driven economy, development also entails satisfying these gaps of low productivity and unemployment through, even if partially, external financial assistance or official development aid (ODA) from either bilateral or multilateral institutions. One such multilateral agency is the Asian Development Bank.

But ODA is no free lunch. ODA is widely proven to be an effective conduit by which economic, political and socio-cultural considerations are imposed on less-developed countries in Asia. A country like the Philippines is rendered vulnerable to impositions from the outside as most ODA's are tied to trade conditionalities and other political and economic impositions.

This study aimed to identify these vulnerable spots by which aid from ADB is affecting Philippine women.

## AID AFFECTING WOMEN

Development is not a neutral process of financial help that altruistically flows out from the rich North to the poor South. In this arena of development work and ODA, women issues are proving to be a salient feature that needs to be considered. This paper maintains that Filipino women's problems are rooted in the interacting binds of gender, nation, class and ethnicity. And this multiple bind cannot be separated from the issue of development.

As citizens of a Third World country, Philippine women suffer both from foreign domination and underdevelopment. As members of the marginalized classes, Philippine women are deprived of access to resources that can help them attain a just and humane existence. As women, they are subjected to oppression and subordination in a male-dominated society. And because prevailing social systems discriminate against all Filipino women, poor women are rendered more vulnerable to greater exploitation.

Hence, a genuine development simply is not merely the alleviation of poverty through full employment. Neither is development achieved with merely uplifting the existing low levels of productivity to a higher ground. Projects built on women's traditional roles do not challenge existing economic, political and cultural arrangements but further accentuate the already oppressive conditions. For instance, income generating projects (IGP) with women as beneficiaries show high prevalence of further burdening women to more work and greater working hours.

If development is to be achieved there must be a baseline level of equitable conditions for both women and men, whether in the economic or social sphere. Moreover, development processes must be exposed in full light as processes that culturally and psychologically reconstruct the image of women -- the Filipina. In the Philippine experience, women's image in past development programs are constructed through:

a) the new labels and categories that emanate from development projects that have a high tendency to disorient women. By introducing new techniques that manage women's underdevelopment like imposing standards, quotas, monitoring forms, reports, evaluation sheets, survey forms, charts, etc. -- all of which cloak the image of Filipino women with scientific rationality at the expense of disorienting them.

By disconnecting them from their own herstory and superimposing stories other than their own, these programs often results in a rechannelling of women's struggles away from their own involvement in productive issues such as oppressive feudal agrarian relations and the valuation of women's work.



b) Participatory processes defined as working within a pre-set description and strategy, work structure such as project management and organizational charts and program evaluation. The use of logical framework matrices that pre-set goals and objectives, planned activities, outputs, assumptions and validation processes. (Pagaduan and Perez-Corral (eds.), 1996)

c) Definition of who is the participant and the non-participants, whether peasant women, tribal women, fisherwomen, etc. who may eventually become the "participants" in development as health workers, day care workers, IGP implementors, microentrepreneurs, savers, counselors, better mothers, family planning acceptors, community organization volunteers, facilitators local researchers, WID officers, etc. they must know and have development skills according to or as defined by memos of agreements, terms of reference, contracts of donors and development agencies (ibid.).

e) Exclusion processes in development as related to topics, themes, issues, points of analysis, perspectives, labeled as non-participants e.g. those with dole-out mentality, rebels, incorrigible, etc.

Women of Asia should take on the rôle of active development agents not only for the greater sake of development but also because the development of women are ends in themselves.

## WID AND THE STRIDES IT HAS MADE?

In order to examine the Bank's declared gender considerations, the researchers studied all the available literature developed under the Bank's WID policy, interviewed with the Bank's WID specialist and used the clutch of documents made available by the NGO working group.

The main focus would be to answer the guiding question: How does the Bank fulfill its declared WID policies? For a better grasp of the WID review, the paper examined the project cycle employed by the Bank. In addition, the Bank's WID literature like the gender sensitization kit used by the Bank for the staff and the researches related to WID were likewise reviewed.

From these entry points the paper aimed to make appropriate recommendations that could better present the situation.

## A Herstorical Perspective

From 1985 and onwards, the Bank adopted its explicit views on gender through issuing out the much touted Role of Women in Development (WID) document. Through this 1985 WID, the Bank was able to make known that it will be incorporating the key concept of women directly into the development process. Ideally, the Bank postulated that women will be considered as both subjects and objects of development in as much as women constitute half of humanity. Thus, stressing the development of women as ends in themselves.

In 1985, the Bank's WID policy stipulated that "more systematic consideration should be given to women's issues in the Bank's lending and technical assistance programs." The Bank's WID policy aimed "to integrate gender considerations into all aspects of Bank operations. It directed the Bank to address the role of women and the effects of a project on them at every stage of the project cycle, namely, during project identification, preparation, appraisal, implementation, operation and maintenance and post evaluation."

Seven years later, while in essence this same stance is still emphasized by the Bank, it furthered WID by injecting it with more power. WID was strengthened in 1992 onwards when WID was used as a centerpiece for the Bank's medium term program and stood side by side with heavy weights like "economic growth, poverty reduction, human resources development (including population planning) and sound management of natural resources and the environment."

## Pitfalls of Being Women-centered

It is this policy of active and positive discrimination towards women that the Bank acted throughout in 1985 to 1992. The Bank in striving towards a more concrete women and gender-aware development carved out a space that is wholly and easily identified as women through the identification of social infrastructure projects as automatically women-oriented. It may have its advantages in the sense that the development process is enriched with the gender factor. But it certainly had its downside.

While the 1985 WID spawned interest in women, it nevertheless created a sort of dichotomy among project sectors. As government agents and Bank consultants tried to flesh out what is meant by WID in their own cultures and histories, WID created a polarization of development projects into camps starting from the Bank's level. One such camp is what is known as soft projects or those projects traditionally viewed as strictly and

automatically women centered like health, population, education and training water supply and low-income housing. The Bank strictly labeled all these as social infrastructure.

At the other end of the pole is the other half of development projects which constitute what is referred to as the hard projects. Such development projects of these kind are those of physical infrastructure, power projects, big budget water projects like dams, massive housing projects, etc. These are sectors that revolve around projects where people have a difficult time finding a gender analysis or women issue.

The Bank admitted this deliberate creation of a dichotomy during the *Seminar on Bilateral/Multilateral Involvement with Women/Gender in Development in the Asia-Pacific Region*, last May in New Zealand. Peter H. Sullivan, the Vice President for the East ADB said the Bank deliberately emphasized such social infrastructure projects in order to "provide direct benefits to women in agriculture and rural development and to create income-generating and job opportunities for women."

"Sectors such as agriculture and rural development and small scale industries that create income-generating and employment opportunities for women" were stressed by the Bank. This division resulted in making labels which only undermined the essence of WID. Development projects either got classified and stamped as women-targeted projects or wholly non-women which is totally run devoid of any gender sensitivity. There is a high prevalence of total non-consideration of gender analysis in the hard sectors. All funding for such projects identified with women were counted as women, no matter what. On the other hand, in terms of the physical infrastructure projects, women became totally invisible.

Another negative aspect is that the Bank assumed that by simply providing for such projects, it is directly benefitting women. For example, the Bank identified specifically all projects that are related to population as women projects. While the positive bias towards women lent itself to greater investments on women, it also created problems for women. For the Bank it was important to decrease the high population rates in developing countries like the Philippines in order to halt the vicious cycle of underdevelopment.

"Investments in maternal and child health and nutrition and efforts directed towards achieving a smaller family size and greater birth spacing, improve the well-being of children in the short term and enhance their income-generating potential overtime." However, the Bank altogether forgot about guarding the reproductive rights of women, the basic right to choose whether to give birth or not and the right to have control over one's body. It also

shows that the Bank is not sensitive enough to realize that the process of integrating women into the development process already reinforces women's triple burden that while her productivity is enhanced other aspects of her personal development is neglected.

**Case 1: Country Paper-Philippines. Women and Water: Domestic shallow well water supplies: The Family Handpump Scenario. ADB and UNDP. Proceedings of Regional Seminar, Manila, 29 August-September 1989.**

Based on the report of the Regional Study on Domestic Well Water Supplies, an ADB funded research, some basis were discovered for conclusion that although there is a conscious effort to comply with the explicit WID program being enforced in all levels of the project cycle, it was detected that there is an overall thin gender perspective veiling this ADB project.

### **Water project: a social infrastructure project**

ADB consultants, Lily Hidalgo and Ana Marie Avendano wrote that the water project is mainly the installation of waterpumps to 20 villages in Luzon and the Visayas through a credit program where the women were the chosen main recipients of the loans. The women in the 20 villages were to be the decision-makers since they will manage the loan and the project.

While the project not only yielded valuable information on the status of rural water and sanitation in the country it also told the partial story of women in the villages.

When first approached by the Department of Social Welfare and Development and the Bureau of Women Welfare the rural women expressed common surprise and amusement that they were given the main role in ushering development in their village.

Though the study was pre-determined to be women-centered, there was a dearth of gender-disaggregated statistics. Overall, there was much to be desired. A careful scrutiny of the project yielded that while it is good that women were the main target beneficiaries of the water supply project, there was no baseline data provided on what was the level of awareness about women's conditions, problems and concerns. These were simply notconsidered and therefore no project component to address the level of awareness of their situation was deemed necessary. Nothing at all was also said about the gender sensitivity seminars and their impact despite the fact that the main participants were women. The only claim that the entire project made as being pro-women is the fact that all the participants were women.

When women become mere tools in the development process so that a greater and more noble end may be achieved, then in the end, the process was a failure. The development of women as well as men should not be seen as the means towards this noble process but an end in themselves.

While the project focused on a woman's concern, since it assumed it is the women who would be relatively more concerned with health and sanitation matters, that is providing potable and healthy water for the family, nothing was said about how the women felt on this score. Before the project, was there a tangible congruency between the women's perception of their objectives in participation and the Bank's goals? Were they involved in the planning stages of the project to give their views if it was what they wanted in the first place?

What was sorely lacking was the individual stories of the rural women who it can be presumed derived a boost in their roles as the main players in this development project. It would be more in keeping with feminist or pro-women reports to include such stories because the underlying belief is that it is only through particular women, the rural women, in this instance, that their stories are genuinely told.

Moreover, nothing was said about the effects of the water project in terms of these gender issues. Did the rural women feel a level of empowerment? How did the community react to the women before, during and after the project? For the first time the government was interested in them and they were to be given credit not their husbands. What was the effect of this fact? Were there qualitative and long lasting changes in men and women relations especially in their own families? Did the women feel confident that they can be part of nation-building?

There was no effort on the part of the ADB and the Philippine government to answer these genuine women considerations. Furthermore, it must be pointed out that, the growing trend of ADB projects being dichotomized is more than reinforced in this regional water supply project. This water pump installation did not only happen in the Philippines but also in Bangladesh, Indonesia, Pakistan and Thailand. Across countries, this sector was implemented as a "women project" and yet is it?

On another plane, the polarization of projects into women and non-women projects render the whole WID inutile. While it was the objective of ADB to extend water facilities in the countryside through the women, they did not think much of women issues. This project virtually admitted the lack of depth of WID in WID .

Below is case number 2, a development project meant to build better water systems in the Philippines but which ended up unduly affecting women and their families.

**Case 2: Angat Water Supply Optimization Project Data: Final Report of the "Involuntary Resettlement and other Recent Experiences in Metro Manila and Adjacent Provinces of Rizal and Bulacan"**

This project is not wholly funded by the ADB and is classified under the co-financing scheme. The breakdown of fund sources are found below.

*Table 2.1*  
*Co-financing scheme for the Angat Water Supply Optimization Projects (AWSOP)*

	Percent Contribution	Amt. in millions of pesos
ADB	35.8	2730
World Bank	11	840
Local borrowing	15.7	1200
Equity-OECF Loan	22	1680
Equity	8	610
Internal Cash	7.5	574
<b>TOTAL</b>		<b>7634</b>

The AWSOP entails meeting the domestic water needs of Metro Manila by augmenting the water capacity by 15 cubic meters per second. AWSOP consists of building five components: the Aqueduct with three separate sub-packages (AQ-5A, AQ-5B, AQ-5C), the primary distribution lines (AWS-10A), La Mesa Treatment Plan No.2, La Mesa bypass Aqueduct and the Treated Water Reservoir. Total estimated cost of the AWSOP is P7,634,000.

This development project was chosen as an example of a physical infrastructure sector project being funded by the ADB.

The Metropolitan Waterworks & Sewerage System (MWSS) is the lead government agency that implements the project which was started in 1987 (feasibility study stage). This project is still ongoing. The identified communities that will be hit by the water project are at least 6 barangays namely, UP-Campus, Old Balara, Culiati, Pasong Tamo, Holy Spirit and

Commonwealth. Based on a joint survey conducted three years ago by the MWSS and the local government, it was recorded that around 3,000 families will be displaced.

The main issue here is involuntary resettlement since the big water pipes will have to be extended the right of way. Based on the final report done by an NGO team of researchers, there was an overall disregard from the very start by the project of WID as well as people's housing rights. Interviews done with the residents of the affected communities showed that the government did not satisfactorily consult with them about the inevitable relocation of their homes. Data furnished by the NGO team revealed that not only was the impact on women of the project not considered but also the whole participation package was not done. MWSS and other government agencies just went about its business of demolishing the homes but did not bother to prepare them for the resettlement, nor indemnify them.

In G-10's own study, parallel findings on impact of development projects on women and women's participation in project development and management may be found.

### Women as Important Resource

From a review of written materials on WID, it can be said that the Bank saw women as simply another "important resource" that needs to be integrated into the development process for impact maximization. Based from identified women projects, the Bank can extend credit through micro-credit programs thereby deliberately coaxing women to leave their homes, not primarily because they were ends in themselves who should reach their own actualizations, but because they "account for approximately half of the population and to ignore their needs and potentials mean neglecting and overlooking half the country's assets." The operative word is **assets**.

The Bank admitted that it promoted and improved the "status of women not only for reasons of equity but also because it makes good economic sense to do so." In a world drawn up by economists, the Bank saw women merely as resources that needs to be maximized. The Bank saw it beneficial to reverse the stereotypical gender roles of women and men, not to develop women's potentials but in order to improve low productivity levels. Women were given the opportunities to work outside the homes through IGPs in order to increase productivity regardless of the inequitable structure in the family where women are burdened with the household chores and child-rearing.

The Bank's actions may be lauded to an extent since it did place women at the center for once but such steps must be imbued with more vigilance.

However, the Bank, it seems, is not alone in its views that women are an economic asset. A parallel of sorts is seen to exist between ADB funding and the general situation of ODA. Social welfare is considered the soft side of national development policies and programs. Very often, it is meant to cushion or complement the impact of more strategic development efforts in economics and politics. Projects meant to carry out structural interventions in the hard side of development are usually sector specific and usually lack a coherent gender perspective.

Overall, the 1985 WID policy could be best seen in the context that it successfully created an awareness towards women by the simple act of allocating funding for women. From 1985 and onwards, it can be assumed that there were more women who got educated, there were water wells for the family, there were more sanitation facilities for the households, more contraceptives distributed to women, and more shelter made for families.

## WID AND THE PROJECT CYCLE

In the area of the Bank's own operational procedures, mechanisms were instituted to ensure that gender issues are considered at every stage of the project cycle. In-house gender sensitization seminars for staff were also introduced.

On another plane, the Bank's WID policy, saw to it that the role of women and effects of projects on them at every stage of the project cycle, including identification, preparation, appraisal, implementation, operation and maintenance and post-evaluation (Sullivan, 1995) were addressed.

However since the Bank's WID policy is more focused on women-targeted projects in agriculture, other projects specifically those categorized under hard projects or large infrastructure projects were hardly addressed by the policy since people could not immediately identify women and gender issues in these areas. Thereby rendering the Bank's WID policy almost useless in the face of "hard" development projects where women and gender issues were marginalized if not outrightly unapplicable.

In the case of the AWSOP presented earlier, a review of its staff appraisal report (SAR) which is about less than an inch thick, two paragraphs were devoted to the section under the heading "Impact on Women." The section made mention of its positive results where the implementation of the project would help women reduce their time spent on sourcing or fetching



water. But it did not mention that a large majority of the residents to be evicted as a consequence of the project are women. That as a result, greater sufferings will be borne by them as evidenced by the fact that the majority of the community leaders who are actively opposing the project are women. That while this argument might appropriately be discussed under issues on involuntary resettlement, it has to be emphasized that eviction and resettlement should also be seen as gender issues because of the reality that it is experienced differently by men and women.

The importance of the argument is that, both *the implementor of the project and the Bank did not seriously address the implementation of the WID policy from the pre-appraisal to the implementation stage of the project.* Because if they did they should have seen this important issue. That while it is an important infrastructure project, it should not be treated as solely financial and technical processes. Falling under the 4th and 5th phase of the project cycle, pre-appraisal exercises ignore the socio-cultural arena in which development projects will proceed. And the same could be said for the Women and Water Project. There was no dialogue or discussion with the women affected or even the target beneficiaries.

Physical infrastructure projects consider every inch of rainfall, water volume, soil sample typology, dam specifications and attendant technicalities. But the complex social repercussion of such projects were not addressed which may be due to the presence of this dichotomy between social and physical infrastructure which treats the social environment, especially women concerns, as separate from the physical.

This would also point to the limited view on the applicability of the WID policy and gender framework in development not only in development projects.

### Re-learning Women and Development

One of the first steps taken in the right direction would be the awareness that the present paradigm on development is sorely lacking. There must be an admission that there is a need to be aware of gender issues and being gender-sensitive.

Next to becoming aware of the dynamics of gender, a learning and sensitizing process must take place. This is more a conscious effort to analyze all aspects of development from a feminist perspective at best and gender sensitive as it simplest form. Such is not executed instantaneously from the time that an admission that women issues must be addressed in development but rather undergoes an educational consciousness-raising process.

This paper sees that the interim period between 1985 to 1992 as the crucial lag time for which the majority of this process must have taken place before the Bank and its development implementors could finally claim that true learning from WID could have occurred.

One good measuring stick that can gauge the strides the Bank has taken in the direction of women and gender is the persistence of the dichotomy between soft and hard projects. The persistence of its existence only reflects how much the WID is stuck at this phase. It only shows that WID is not yet fully integrated in the whole development paradigm of ADB. With such a dichotomy, the WID serves as best only a token support to women issues.

## GAPS IN HUMAN RESOURCES

The Bank appointed a WID Coordinator "to monitor and accelerate its activities in the area." The WID Coordinator was tasked to (1) review and comment on operational documents to ensure that gender issues are properly incorporated, (2) assist in formulation of loan and technical assistance (TA) projects or project components focusing on WID, and, (3) administer WID TA projects and related activities. Despite the explicit importance of WID and the tasks that the WID Coordinator had, the Bank only employed one WID Coordinator for the whole of Asia and the Pacific. This was confirmed by the Bank's present WID Coordinator, now known as the WID Specialist, Shireen Lateef. According to Ms. Lateef, the Bank did not create a WID department that will be responsible for the promotion of WID in the development projects. The Bank had only one she-wolf without any staff. This is quite a revelation.

While the Bank had a WID policy, its basic tenets will never really trickle down to implementation. Having only one person, how is she expected to ensure WID will come to life? This is merely lip service to women and gender issues. For just one country, she would have to dig through an average of 30-80 projects annually. How this WID Coordinator is expected to fulfill her tasks is beyond reason or rhyme.

Ms. Lateef also revealed that the Bank, since 1985 until the present, never hired a real full-time WID Coordinator. Currently, while Lateef is known as the WID Specialist, she is also burdened with other tasks since she is mainly a Social Development Specialist. While this gives her the option to be concerned with other social dimensions and not stifle her, this current set up drains the focus from WID.

Right now, the Bank has only two WID Specialists but who are not on a full time basis. And the Bank expects WID to become rooted in its consciousness.

## WID CHANGES?

The Bank instituted WID internally in several ways. The staff training seminar on the "Role of Women in Development" has been conducted annually since 1989. The main aims are to introduce, familiarize and sensitize Bank staff to gender and WID issues and to impart knowledge and practical skills on gender analysis in the project cycle, particularly at the project preparation stage. In addition, since 1987 the staff seminar on operational policies, which is held regularly, has also included a session on WID.

However, an interview with Ms. Lateef pointed to the need to assess the impact of this gender sensitivity seminar done annually. The Bank neither has monitoring data nor evaluation studies on whether or not the seminar changed anything or what was the general reaction of the Bank people to gender issues.

What the Bank declared as an annual seminar on gender sensitivity is actually a one-day affair that is part of the general seminar given to new hires. After which, the Bank stays silent on gender issues.

Aside from the incorporated gender awareness component of the Bank orientation program, a gender sensitivity seminar is held. The attendance is made on a voluntary basis. If and when there is no one interested on WID as to request for it or their schedules do not permit, then the seminar is not pushed through. While this is a good policy of not making the seminar on gender a compulsory thing, it has its disadvantages. Ms. Lateef admitted that the seminar itself has a low turn out. She said "those who attend are those already sensitized." While Lateef did not reveal exactly how many attend, she did mention that "the attendance won't go beyond your 10 fingers."

Aside from the seminars on gender, the Bank instituted the preparation of a WID Country Briefing Paper for each country updated every three to four years. These briefing papers are expected to provide information like:

- (a) economic and social position of women, and the impact of development on women to date;
- (b) an assessment of women's actual and potential contribution to development;
- (c) identification of major constraints that women confront and strategies for overcoming them;
- (d) WID-related government policies and programs;
- (e) WID-related activities of other agencies;
- (f) key development issues affecting women;

(g) identification of opportunities for promoting and supporting WID, ranging from policy dialogue to research;

(h) suggestions and proposals for specific WID activities within the framework of future Bank assistance to the country.

The Bank uses the WID Country Briefing Papers by the Staff in understanding their "program work as information resource for the preparation of projects." But it can not be ascertained how much of this information is applied to data-gathering at specific community level.

There are WID Country Briefing Papers for the Philippines (dated 1987), Indonesia, Vietnam, Bangladesh, Bhutan, Fiji, Republic of Korea, Malaysia, Marshall Islands, Federated States of Micronesia, Mongolia, Nepal, Pakistan, Papua New Guinea, Solomon Islands, Sri Lanka and Thailand. Indonesia's and Pakistan's WID briefing papers have been updated.

Aside from the necessity of regularly updating these WID briefing papers, an integral assessment of the Bank's projects which have the greatest and the least impact on women must be included. An easy access to such information would help future Bank staff to handle the women or gender considerations that is particular to a given country.

### **THE UPDATED VERSION: 1992 WID**

After providing the rhetoric of gender awareness through the adoption of the WID in 1985, the ADB attempted to push further on WID when in 1992 it included WID in the five-point priority Medium Term Strategic Objective for the inclusive years of 1992 to 1995. The Medium Term Strategic Framework (MTSF) was set out with WID as one of the top priorities. Alongside WID are: economic growth, poverty reduction, human resources development and sound management of natural resources and environment.

The 1992 WID vowed that "progress on WID issues will be regularly and systematically monitored." Through the creation of the Social Dimensions Unit (SDU), the Bank sought to monitor these five point strategic objectives.

The SDU, created in April 1992, served as the context by which WID is realized as an overall strategy where gender issues became partially concretized in the Bank's development efforts.

The Bank tasked SDU with the "overall coordination and monitoring of WID activities." Alongside the SDU, the Bank adopted what they termed as associated processes. The five identified social dimensions of the Medium Term Strategic Objectives were concretized through:

1. participatory approach of beneficiaries and those adversely affected groups
2. gender analysis
3. benefit monitoring and evaluation
4. social analysis
5. promotion of cooperation with the NGOs.

With the explicit and focused inclusion of the gender analysis, the Bank promoted an improvement of its WID policy. But it has its limitations.

### FAILING MARKS FOR WID

Based from the Bank's "Guidelines for Incorporation of Social Dimensions in Bank Operations," it would seem that the Bank finally accepted the criticism that its WID program was not such a success.

In this short ADB pamphlet, the Bank cited two factors have "caused the Bank to reassess its mission and development strategy." First, the ADB admitted that "inspite of the relatively high sustained rates of economic growth achieved in some countries of the region, poverty has remained endemic in many of the Bank's Developing Member Countries (DMCs)." By numbers alone, more than half of the world's poor are still to be found living in Asia, despite the four decades of ODA from ADB.

Another admission in this direction lies in the statement that there is an "increasing awareness that the participation of all people — women and men, rich and poor and vulnerable groups — is essential to accelerating and maintaining economic growth in the medium and long terms."

With this, ADB acknowledged that its past rural development paradigm badly needs an overhaul and realized that its continued neglect to promote the participation of people at all levels of the project cycle brought about a not so vibrant outcome.

And to carry that a little further, the Bank said that the prospects of getting the wheels of development to get going would certainly take aeons if women issues are left behind. For G-10, promoting participation of women in development projects by sheer numbers alone is not the be-all and end-all of WID and gender analysis since participation is more than just mere numbers. For G-10, critical participation lies in the total participation of women in the different phases of the project cycle to make it genuinely gender sensitive.

Although the hiring of more women in the project would not be in conflict, of course it would be most welcome since it would also show the Bank's sincerity in balancing its staffing mix. But it takes more than that to change the way the Bank, and society in general, view women's role in development.

It seems the Bank has openly declared that its WID brainchild in 1985, was certainly lacking in results. WID for all its hype was not captured well, or better yet, encapsulated in the numerous Bank financed projects and technical assistance schemes.

## RECOMMENDATIONS

The Bank sees women for their vast potentials in the realm of the development process not as real human beings but ways by which development is satisfied. While this is quite good as it gives credence to women's potentials, it is at the same time, not empowering since it essentially pigeonholes women.

Yes, the ADB will go on investing in education for women, it does so precisely because women will be able to teach their families good grooming and healthy habits and most of all she will have less kids to populate the Earth with. But to educate her or provide her with ample chances of being educated simply because she is the other half of humanity and as such deserves to be actualized is not what is driving ADB to fund social infrastructure.

Women are included in ADB's development plans only as she serves the so-called higher end that is known to be development. When and if ADB starts changing its paradigm, then it may not be farfetched to assume that the Bank will not go out of its way to educate, to extend health and sanitation services to women. At present the WID needs to be maximized in terms of genuine integration.

For the Bank to be truly credible in its seriousness in pursuing its gender analysis in both project loans as well as technical assistance, the Bank does not have to look very far. It can start from itself. Based from the initial critique of ANGOC on the WID, the Bank in 1991, only employed 18 women out of the 606 professional staff of the Bank. ANGOC stressed that this is very revealing in terms of ADB's hiring policies since all 18 were confined to low level positions.

Another point raised by ANGOC in 1991 was that the "WID program assessment should be done regularly, especially in sectors known to "exclude"

women, i.e. infrastructure. NGOs should be given access to project reports in order to measure the gender sensitivity and effectiveness of projects."

On this score, for the Bank to be true to its supposedly adhered to gender considerations as written under WID, SD and MTSP, it then must be able to be vigilant that in all parts of the project cycle, gender considerations are indeed honestly considered.

On the other hand, implementor agencies should be strictly monitored for serious adherence to the WID policy of the Bank especially during the 4th up to the 7th phase of the project cycle which are the most critical (project preparation up to loan negotiation). Likewise, country programming should be open to interested groups for comments and suggestions on the balancing of projects for funding.

While the Bank had already declared transparency at the tail end of last year, the G-10 believes that there ought to be a positive affirmation of this policy of transparency. G-10 goes one step further and recommends that the Bank ought to tap the services of women's groups working locally to conduct gender analysis on ADB projects, especially those which involve the national government. Consultations and public hearings must be in place so that interested parties as well as women's expertise and advocacy issues may be given a chance to be aired. Especially, since most implementing agencies are not equipped to deal with WID and gender concerns. Moreover, gender sensitive checklists must be provided for in every stage of the project cycle especially during the planning stages where women's voice may be heard.

Women's projects should be democratically managed with a system of check and balance to uphold the principle of individual and collective accountability. Collective leadership and power sharing should be promoted in project management system. (Pagaduan and Perez-Corral (eds.), 1996)

At the level of the aid implementing agencies, project officers should be genderized and must have undertaken dialogues with implementing organizations on their country's situation. A broad range of feminist organizations should be consulted in evolving the policies and directions of aid best appropriate to their needs. Such consultations should be unifying rather than divisive among the women. (ibid)

In the end the Bank must realize that empowerment will not just come from the integration of women in development but also in giving women the access to information, participation in decision-making (on whether projects are beneficial, needed or otherwise) and respecting women's decision even if it means less movement of money.

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# ***Establishment of an Inspection Function: A Beneficiary Perspective***

**Anandalal Nanayakkara**

**F**ollowing the example of the World Bank, the Asian Development Bank (ADB) has expressed its intention of establishing an Inspection Function. The following is a report prepared on the basis of the resolution entitled "Asian Development Bank: Establishment of an Inspection Function, November 1995" referred to as the said paper. In view of the fact that the said Inspection Function is not yet in place and the actual working remains to be seen, this report seeks to present some concerns and suggestions from "beneficiaries" of Bank- funded projects.

The most important element of the Inspection Function is that it would make the Bank accountable to follow at least its own operational policies and procedures and would afford aggrieved parties a forum to air their grievances. The said paper only establishes a basic framework for the Inspection Function without specifying details. This, however, gives an opportunity for the implementors of the Function to establish operational procedures that would serve to increase accountability of the Bank and the Inspection Function itself and preserve its independence.

## **OBJECTIVES**

It is encouraging that the said paper refers to several progressive objectives, which are sought to be realised by the establishment of the said

inspection function. Therefore, this report initially presents the objectives as stated in the said paper and then analyses the proposed Inspection Function based on this background so created.

1) Promote beneficiary involvement in the preparation and the implementation of Bank projects.

2) Improve efficiency, effectiveness, accountability, transparency and improving governance.

3) Provide a forum to air grievances of a group believing that the formulation or implementation of a project is inconsistent with Bank policies and procedures, to the material detriment of that group.

4) Complement the Banks existing supervision, audit and evaluation systems.

5) Provide greater public access to Bank documents and publications.

6) Ensure independent investigation of the facts underlying the grievance of a group "arguably" affected by the Bank's failure to follow its operational policies and procedure.

7) Educate the public at large about the variety and complexity of issues involved in development programmes in the region.

8) Enhance confidence in and support for the Bank and its operations.

## PROPOSAL FOR AN ADB INSPECTION FUNCTION

### Scope

The said paper makes it clear that the said inspection function is confined to requests concerning the Bank's compliance with its *operational policies and procedures* in connection with *proposed and ongoing* Bank projects.

The Bank's operational policies and procedures are as defined in the Bank Policies and Operational Procedures set forth in the Bank's reorganised Operations Manual (OM) and to the extent applicable, corresponding sections of earlier editions of the OM.

The operational policies and procedures are rules for the purposes of streamlining the Bank's internal procedure and serve to guide the Bank staff

on project formulation and implementation. Their relationship with the grievance is not always direct. Indeed, many are the instances where a project has complied with the operational policies and procedures while still materially adversely affecting the rights and interests of persons. Therefore, this Inspection Function fails to meet the expectations of the affected public.

On the other hand, it only induces the already disempowered, affected public to commit a considerable amount of resources in comparing the internal working of the Bank against the Bank's own operational policies and procedures. In this respect, the said Inspection Function largely duplicates the task of existing supervision, audit and evaluation systems.

It is important to note that the said *operational policies and procedures* are only the means and not the end. The "beneficiaries" are concerned more with the *end* than the *means*.

While appreciating the attempts of the Bank at greater efficiency, effectiveness, accountability and transparency in its activities, it needs to be stressed that the scope of the said Inspection Function is woefully inadequate. The Function needs to take a broader view of Bank-sponsored projects. Confidence in Bank-funded projects can be enhanced only by addressing the actual grievances of "beneficiaries" and by ensuring that they are indeed "beneficiaries" and not "victims" of development. This can only be done by a forum where their grievances can be given a "fair hearing" without being subject to technicalities.

If indeed the *operational policies and procedures* themselves prevent a remedy being afforded to the affected groups, then the panel should be at liberty to bring this to the attention of the Board, which in turn could recommend remedial measures or even revise such *operational policies and procedures*.

Further, the said paper is clear in that the Inspection Function cannot entertain requests based on actions that are the responsibility of other parties such as a borrower or potential borrower. Therefore the grievance of the public on not being consulted at the preparation of an environmental impact assessment (EIA) may be rejected, if it turns out that the borrowing country, not the Bank, is responsible for the non-consultation with affected parties.

The said paper also indicates that the said Function would not include consideration of the laws, policies and regulations of any borrowing member country or executing agency unless they are directly relevant to the operational policies and procedures of the Bank. This makes it clear that even in the

instances where there are clear procedures laid down for beneficiary participation in project formulation and implementation via national legislation, the said Function is powerless to ensure compliance with same.

## THE BANK'S OPERATIONAL POLICIES AND PROCEDURES

If the Bank intends to proceed with the inspection function as indicated in the said paper, then the efficacy of the said function would depend entirely on the operational policies and procedures themselves. Therefore, it becomes important to review the Bank's said operational policies and procedures and examine how much importance has been given to the aforementioned objectives; in particular, beneficiary participation in the formulation and implementation of projects. This review, the said paper, fails to make.

However, the NGO community has from time to time intimated to the Bank that its operational policies and procedures fall short of expected minimums. A case in point is the "Environmental Assessment Requirements and Environmental Review Procedures of the Asian Development Bank". The said procedures state: "The Bank requires the borrower to take the views of affected groups and local non-governmental organisations (NGOs) into account in the preparation of environmental assessment reports." The problem is there is no mechanism stated therein for such views to be obtained. There is no set of criteria whereby public participation in the preparation of EIAs can be achieved. At best, the said procedures may result in very limited compliance.

The procedures therefore need revision. It is unclear as to the exact measure that the Inspection Function would employ to ascertain whether there has indeed been compliance with the Bank's *operational policies and procedures*. It is also important that the Bank's operational policies and procedures be interpreted to include guidelines<sup>1</sup> and other procedures<sup>2</sup>. Failure to do so may result in the OM becoming a toothless document (while the criteria or procedures for project formulation or implementation would be specified in separate documents). It is significant to take note of the fact that large sections of the OM are still under preparation by the relevant divisions of the Bank<sup>3</sup>.

### Private sector funding

The scope of the said Inspection Function is also limited to public sector funding. As in the policy on Confidentiality and Disclosure of Information; private sector loans are treated differently herein. This special treatment is sought to be justified as follows:

1) The expectation of confidentiality that most private sector sponsors have regarding their business plans and operations.

2) The limited information publicly available concerning the Bank's private sector operations.

3) The limited ability of the Bank to influence changes in the scope or implementation of the project, given its minority stake in a private sector project.

The Bank should be strongly criticised for this. It is hypocritical that the Bank should, immediately following its policy that seeks to provide greater access to information and documentation, decide to take private sector loans outside the scope of scrutiny on an admission that information publicly available will be limited.

The argument that the World Bank's inspection procedures do not apply to the activities relating to private sector lending is untenable. Firstly it ignores the uniqueness of the ADB and relegates it to a role in the shadow of the World Bank. It is tantamount to saying that the ADB is incapable of making its own independent decisions. Secondly, the private sector lending of the ADB is different from that of the World Bank in that the ADB conducts direct private sector operations by an equity investment facility and loans without government guarantee<sup>4</sup>. The danger of unsupervised lending on private sector loans can therefore be very detrimental to the stated objectives of the Bank. It must also be stressed that the private sector-oriented International Finance Corporation (IFC) is an affiliate of the World Bank while the private sector lending portfolio of the ADB is handled internally.

### **Location and Composition**

The Inspection Function of the ADB is proposed to be located within the Board of Directors. It is appreciated that this would indeed result in independence from the Management. However, this also limits the preliminary investigative work that the Board Inspection Committee (BIC) is capable of.

The members of the Board of Directors would only have a limited amount of their time for the Inspection Function. Therefore they would not be in a position to do much preliminary investigative work. This in turn places a far greater burden on the public in presenting their case than would exist in a situation where a permanent panel could conduct investigation at the preliminary stage.

It must be stressed that a large number of complaints would originate from sectors of the public who would have limited access to resources and would not be in a position to do any or limited preliminary investigative work. Therefore it is strongly urged that the Bank be conscious of the fact that a large component of requests would necessitate considerable amount of preliminary investigation.

### Composition of the Roster of Experts and their Independence

As indicated in the said paper a roster of 10 experts would permit diverse representation. The efficacy of the Inspection Function would depend mainly on the independence of the members of the roster.

The members are to be nominated by the President following consultation with each Director and appointed by the Board of Directors. They can be removed only by the Board of Directors and on any inspection, the panel will be selected by the BIC. Their payments are to be made from the budget of the Board of Directors and administered by the Office of the Secretary.

No staff member may be appointed to the panel within two years since the termination of service. And panel members may not serve as staff members for a period of at least five years following completion of their term on the roster. These measures are no doubt meant to ensure the independence of the roster.

However, if indeed their appointments are to be made by the Board of Directors and one primary purpose is for the Inspection Function to maintain its independence from the Management, then there is no apparent reason for the experts to be nominated by the President. Therefore it is suggested that the entire process of their appointments be free of any involvement of the Management. The delegation of the Office of the Secretary as the Secretariat for the BIC also denies BIC the independence required to function separate from the Management.

The administering of the budget by the Office of the Secretary is also a matter that places the independence of the Inspection Function in question. It is also an apparent conflict of roles when the Office of the Secretary is the Secretariat for the Function as indicated above and when the said paper in paragraph 48 claims that additional staff time would be required from the very same Office of the Secretary to, amongst other things, prepare Management's responses to initial complaints from affected groups. This clearly indicates the dual role that the Office of the Secretary would have to

play as presently proposed. Therefore a clear distinction should be maintained between the Inspection Function and the Management.

It is also important that if and when necessary the party who files a request be permitted to object to any expert/experts for valid reasons. This would lead to more confidence in the roster and also safeguard the integrity of the experts.

### Parties who can File a Request

The Bank has set a strict procedure and clear limitations on persons who can file a request. The intention appears to be to prevent persons other than those directly, materially and adversely affected from making requests. This is clearly unnecessary and counterproductive. Upon the filing of a request, it initially goes to the BIC, which makes a recommendation upon the information provided by the applicant and upon the information provided by the Management as to whether the inspection is warranted or not. This recommendation is placed before the Board of Directors and only if the inspection is authorised by the Board will it proceed. Therefore, it is clear that the Bank has set in place sufficient mechanisms to safeguard itself from frivolous requests.

If it appears to the BIC or to the Board of Directors that the contents of the request do not materially adversely affect the rights or interests of a "beneficiary" group, then it may refrain from authorising the inspection. However, the aforementioned issue of "standing" only serves to restrain genuine grievances being presented to BIC.

A large percentage of the controversial Bank-funded projects are in areas which are mostly undeveloped or underdeveloped and the "beneficiaries" are either illiterate or disempowered. It is certainly unrealistic to expect such beneficiary groups to have access to the proper documentation, to read them and understand them, to analyse and digest their content, to match up the policies and procedures adopted against the requirement for compliance with such procedures, to make a proper sequential written request and to send it on time with reasonable evidence that their rights or interests have been or are likely to be directly, materially and adversely affected. Indeed this requirement is one that would result in a large number of genuine requests for inspection from being rejected due to questions of standing. Therefore, it is most necessary that requests be judged on their merits alone and not on a question of standing.

If the request filed satisfies the criteria that the rights and interests of any group have been or is likely to be materially adversely affected, then



such a request should be entertained and investigated. It must be stressed herein that the reasoning behind the establishment of an Inspection Function is to achieve the objectives aforementioned and not to act as a placebo.

It is also important for the Bank to give wide publicity to its projects at the earliest possible instance. However, there is no mechanism at present for the Bank to actively reach out and inform the affected public of proposed and ongoing projects. The ADB's *Business Opportunities* is far too expensive, of limited use, and is certainly not available to the affected public.

The disempowered groups do not generally have access to Depository Libraries, and they do not regularly scan such libraries for information on projects that affect their rights. In any event the Depository Library system is a passive means of reaching out to the public. Therefore, the success of the Inspection Function and the demonstration of the Bank's commitment to greater people's participation in Bank funded projects would depend on its outreach programme. Interestingly, the Bank has not positively responded to the call of the NGO community for documentation to be translated to the local language. This is but another instance of the inability of the Bank to communicate with the intended "beneficiaries".

### Requests that may be Entertained

It is considered mandatory that a complaint be initially taken up with the Bank's Management and only upon its failure to demonstrate that it had followed or were taking measures to follow its operational policies and procedures within a period of 45 days would a request be entertained by the BIC. It is clear that a period of 45 days is far in excess considering the lifetime of a project in its embryonic stage. Further, there is no obligation on the part of Management to carry out the actions that it intends to take within any specific time frame. This could also provide a means of delaying an inspection.

There is also, at present, no mechanism for complaints to be directed to the Management. This mandatory requirement remains haphazard due to the absence of proper procedure. However, the suggestion that BIC itself should refer a request to the Management where it has not been done so previously is welcome. Yet, in view of the fact that the filing of a request does not halt the processing or implementation of the project, it must be stressed that a period of 45 days is far in excess for the management to respond. It is clear that the contents of a genuine grievance would be of such a nature that the Management could not have failed to have realized it themselves, prior to such intimation.

## Processing of a Request for Inspection

The said Inspection Function has jurisdiction only over proposed or ongoing projects as defined in the said paper. The valuation and the monitoring of a project that has been completed cannot come before the said function. It seems to suggest that once a project has been completed the Bank loses interest and does not acknowledge any responsibility thereon. This strongly limits the Bank's credibility in the eyes of the "beneficiaries." Further, even where legal obligations still continue, the Inspection Function is not empowered to entertain complaints relating to substantially completed projects.

## Public Participation and Accountability

Once the Board has authorised an inspection, a panel of at least three members is selected from the roster of experts for the said purpose. The panel has access to Bank staff and may consult the management for the purpose of the inspection. The borrowing member country and the Director representing the country shall also be consulted, and opportunity accorded to present their views. The response of the panel is to be submitted to the BIC, with a copy furnished to the Management. The Management submits a written response to the said report to the BIC. After receiving the Management's response, the BIC submits to the Board of Directors its recommendation together with the panel report and the management's response.

It is only then, within seven days after the Board's consideration, that the said reports shall be made available to the complainant(s). Therefore, once the aggrieved party has made a request, he or she is suddenly denied any further access to the BIC or the panel until the Board has considered the final report. The panel, the BIC and the Board of Directors are denied valuable inputs from NGOs and members of the public at this crucial stage. This clearly needs to be remedied. The said proposal further does not indicate the manner in which the inspection is to be carried out. There is no requirement for public participation and public hearing, and this seriously endangers the accountability of the Inspection Function.

## Inspection

The procedure for the inspection is not specified in the said paper. However, there are very clear limitations placed as to the activities of the inspection panel. Any part of an inspection to be carried out in the territory of a borrowing country is to be carried out only if the said country does not object. This is a limitation that is certain to defeat the objective in a large

number of instances. Although the panel inspection is to be carried out independently, the panel is required to provide a copy of its report to the BIC and to the Management.

The panel's independence would be better preserved if it were required to report only to the BIC. The Board of Directors may convey the contents of the report to the Management.

The said proposal also states that the appointed panel shall have access to "pertinent" Bank records. It is unspecified as to who will determine what is pertinent and what is not.

## RECOMMENDATIONS

1) The scope of the inspection function needs to be enhanced as stated above to permit any legitimate grievance being investigated.

2) A panel of at least 3 members from the roster needs to be appointed upon receipt of a request to conduct necessary preliminary investigations.

3) The BIC should develop operational procedures that render the entire Inspection Function more accountable and transparent and mitigate the shortcomings identified above.

4) The issue of standing should not be a criterion upon which a request is to be judged. All requests should be judged on the basis of their merits alone, irrespective of who makes the request.

5) All possible steps should be taken to ensure the independence and accountability of the panel.

6) Clear procedures should be developed for carrying out inspections, which would permit a fair hearing. NGOs, citizens' groups and the public at large should be given sufficient opportunity to be heard.

7) Wide publicity in the local languages and in the Bank's areas of operation should be given to the establishment of the Inspection Function.

8) The Bank's information dissemination programmes should be strengthened to ensure that the affected public are given sufficient and timely information on Bank-funded projects.

## NOTES

<sup>1</sup> eg. Guidelines for Incorporation of Social Dimensions in Bank Operations - ADB. It is a matter of great concern that the footnote to paragraph 28 of the said paper states that guidelines on operational policies and procedures do not themselves constitute operational policies and procedures.

<sup>2</sup> eg. Environmental Assessment Requirements and Environmental Review Procedures of the Asian Development Bank.

<sup>3</sup> Although the document Environmental Assessment Requirements and Environmental Review Procedures of the Asian Development Bank was prepared by the OENV in March, 1993 the revised OM of December, 1995 states that the OM section on Environmental Considerations in Bank Operations is under preparation by the Office of Environment and Social Development.

<sup>4</sup> COMPILATION OF DOCUMENTS ON MULTILATERAL DEVELOPMENT BANKS compiled by the NGO Working Group on the ADB (Regional Secretariat), page 58.





# ***ADB's Role in Promoting Good Governance***

**Arimbi Heroepoetri**

**T**hree good governance elements (transparency, public participation, and commitment on human rights) were used to examine whether the Asian Development Bank's (ADB) policies would meet good governance standard in the Developing Member Countries (DMCs).

The Bank defines transparency as "the availability of information to the general public and clarity about government rules, regulations, and decisions" (ADB 1995). However, observing Palu-3 Hydropower Development Plan in Central Sulawesi, Indonesia, it demonstrates that there was no effort from the government of Indonesia to conduct an open dialogue with the citizens, nor explain what was its decision on such a project. In that condition, the Bank approved the project without any conditionalities for good governance.

Similar obstacles also appear when exercising Bank's operation in the area of people participation. The Bank defines participation in a manner that "people are the heart of development".

In the case of Singosari in Box II, we learn that the Government of Indonesia did not provide any flexibility to change the design of the

planned project as what the ADB's governance policy proposes. Again, without any conflict resolution, ADB already agreed to give the loan for the Singosari project. Clearly, ADB was not sensitive toward public demand, and in favor of Government's interests.

Measures of Bank's commitment to human rights are based on protection of the most vulnerable groups, such as women and indigenous people. Nevertheless, a scrutiny of the ADB Annual Report 1995 would show that the ADB's commitment to human rights is not a top priority yet.

There should be a moratorium for any project that faces great public opposition. The Bank should be sensitive to public demand and not release any loan before the DMCs settled their conflict with the citizens.

### INTRODUCTION

Increasing concern on the governance issue in the development debate has forced the Multilateral Development Banks (MDBs) to consider governance within their policy. Clean and Good Governance Policy becomes an important conditionality to minimize leakage and distortion in planned development projects. Indeed the World Bank Consultative Group on Indonesia (CGI) and the ADB has begun to take into consideration the importance of clean and good governance.

The ADB approved the Governance policy on 5 October 1995. Copying the definition of "good governance" of the World Bank, ADB defines the term "good governance" from the Webster's New Universal Unabridged Dictionary, London : "The manner in which power is exercised in the management of a country's economic and social resources for development. "

The parameter criteria of the good governance vary. The World Bank, for instance, identifies four elements, which are a) public sector management; b) accountability; c) rule of law; and; d) information and transparency. The ADB's four elements are a) accountability; b) participation; c) predictability; and d) transparency.

The ADB's Governance Policy should be measured against the criteria of public participation, transparency and commitment to human rights.

## WOULD THE GOOD GOVERNANCE POLICY WORK?

During ADB's 30 years of operation, the issue of good governance was not an issue at all. The ADB has responded to good governance only recently.

The Policy then gives the Bank some space to intervene in DMCs' governance. Of course, ADB has always intervened in domestic policies; for example, through the structural adjustment programs (SAPS).

As earlier said, this paper will analyze the Bank's Governance Policy based on transparency, public participation and commitment to human rights.

### Transparency

The Bank defines transparency as "the availability of information to the general public and clarity about government rules, regulations, and decisions" (ADB, 1995). This includes access to accurate and timely information about the economy and government policies.

However, in fact, the ordinary citizen has virtually no access to critical Bank information. The ADB maintains no systems to guarantee public access to information. There is no clear mechanism for public consultations with communities affected by projects. In most cases, the local people learn about a project only after the surveyors and bulldozers have come rushing at the site.

The Bank's staff would claim that deposit libraries in each DMC may provide some information. Yet, it is not a passive type of information—like that found in a library—which is needed by public. What the public and interest groups need is a more dynamic and up-to-date information on government's policies and progress of project funded by ADB.

In Indonesia, there are only two deposit libraries, one is in the University of Indonesia in Depok, and the other one is in the Gadjah Mada University in Jogjakarta. However, the information provided in those libraries is still insufficient. Ironically, even the librarians have not realized yet that their libraries are the deposit libraries of the ADB.

In January 1995, the Board of Directors approved a new Bank Policy on Information Disclosure. Currently, a proposal to set up a Bank Inspection Panel to investigate specific cases involving violations of Bank Policies and agreements is under Board discussion. These two measures



have been proclaimed as major breakthroughs in establishing greater public accountability. However, in an NGO/Bank meeting on 1 February 1995, NGOs were not able to have a copy of the Draft Inspection Policy proposal. The Bank policy states that all proposals under Board discussion are considered as "internal documents" and "confidential" (ANGOC, 1995).

### *Box 1: PALU-3 Hydropower Project Plan*

The Palu-3 Hydropower Project Plan is located at the Lore Lindu National Park (TNLL), Central Sulawesi, Indonesia. The TNLL was established on October 4, 1982, through a Ministerial Decree No. 736/Mentan/X/1982. Besides its biodiversity richness, TNLL also hosts indigenous groups that have well-organized socio-cultural structures. They are the Lore Lindu and the Besoa communities. Some investigation reports show that these communities have a high appreciation and comprehension of the ecosystem. This has been proven by their well-maintained environment.

Nonetheless, the government of Indonesia is building a big dam and the supporting infrastructure for a hydro-power plant, namely Palu-3 Project, on Lindu Lake due to the potential electricity demand from the upcoming industrial estate in the area. This plan is a real threat to the park and the communities, since it will flood a huge area of the park, including four villages in the enclave.

Obviously, the development plan of this hydro-power plant is not transparent. For almost two years (1990-1992), the local people and environmental activists conducted an investigation on what really happened. In 1993 some activists, including WALHI, sent letters asking whether the ADB is involved in this project. In addition, the NGO Working Group on ADB asked Kazu Sakai, a senior project economist of ADB in Manila, about ADB involvement. The answer was no.

Yet, in the end of 1995, suddenly, NGOs found out that ADB agreed to give a loan for engineering design of Palu-3 Hydropower Project in Central Sulawesi under the title of Power Development and Efficiency Enhancement. Then, in January 1996, ADB agreed to give Technical Assistance (TA) amount to US\$ 950,000 for the preparation of the Central Sulawesi Integrated Area Development and Conservation Project.

The case of Palu-3 Hydropower Development Plan in Central Sulawesi shows that the concerned authorities did not take any effort to conduct an open dialogue with the citizens. Worse, the ADB has given loans for activities that are clearly rejected by the public, particularly the affected people. It is thus essential for ADB to consider public opinion before approving loans to DMCs, through conducting field surveys in a transparent manner.

## Public Participation

According to the Bank's Governance Policy, participation "derives from an acceptance that people are at the heart of development." They are not only the ultimate beneficiaries of development, but are also the agents of development. At the grassroots level, participation implies that government

structures are flexible enough to offer beneficiaries the opportunity to improve the design and implementation of public programs and projects.

*Box II: The Case of Singosari*

In 1990, the State Corporation of Electricity (PLN) decided to expand a transmission line carrying of 500 Kilo high Voltage (KHV) in Gresik, East Jawa, Indonesia. The line passed through some settlements, including Desa Singosari. In Singosari, there were plans to build three tower foundations for the line transmission. The main problem, however, was that the project planners had simply ignored the opinion of those people to be affected by the project.

Severe social impact was a result of the lack of consultations. The community felt insecure, fearing radiation. A simple test was conducted by the citizens who would be affected by the transmission line network of 150 KVH. A test pen would simply glow whenever it touched the ground or any part of a human body. When it was raining, people would feel an electrical shock. A more in-depth study of impact assessment certainly has to be done.

From an economic perspective, the price of land near the project drastically decreased. No one was willing to buy land nor stay near the project. The situation worsened, when PLN was not willing to offer any compensation for land in Desa Singosari, unless the land was to be used for the Tower Foundation. A type of social "jealousy" occurred when another settlement complex, adjacent to Desa Singosari (BTN PB Wetan) did receive compensation.

Recently PB Wetan's has released 155 households with each received Rp. 90 million (around US\$ 45,000). However, this compensation has likewise encountered rough sailing. Eight people, from BTN PB. Wetan, are now suing Bupati (Head District) Gresik in PTUN because of the inconsistency in compensation.

The Minister of Mining and Energy has stated that the project would not harm the area, since it has met all World Health Organization (WHO) standards. The director of PLN has argued that the tower's height (above 8.5 meters) is considered "safe." However, citizens argued, based on PLN requirements, that there should be 15 meters of empty space along the left and right sides of the transmission line, the tower height being over nine meters.

The main mystery is why such a risky project proceeded without an environmental impact assessment (EIA) study? The EIA was finally conducted, although only after the project had created problems (and only after the project has begun). This does, of course, runs counter to the provision that the EIA be incorporated in the planning stage.

The citizens of Singosari, including its women and children, have been protesting this project since 1991. The situation has become worse with military involvement and 'interrogation' of some citizens. The citizen's forms of protest vary; they, for example, sent letters to those involved in the project. Finally, the citizens decided to sue the PLN, the Governor of East Jawa, and Minister of Mining and Energy in 1994. The lawsuit is still ongoing.

For years the local people and the NGOs do not know whether ADB fund the projects. Only in 1995 did the NGOs discover that ADB's involvement through financing the project under the title of POWER XXIII. The Power XXIII Projects, in fact, has funded not only the Singosari (East Jawa High Voltage Transmission Grid), but also projects in other areas like Kaneyan, North Sulawesi.

From the case of Singosari, we learn that the Government of Indonesia did not provide any flexibility to change the design of the planned project, contrary to what the ADB's Governance Policy proposes. Again, similar to the Palu-3 case, without considering the protests of the local people, the ADB provided the loan for the high voltage transmission grid development not only in East Jawa but also in North Sulawesi and in West Jawa. Clearly, ADB was not sensitive to public demand, and it favored Government's interests. Hence, in this case, the Bank's commitment to make local communities not only the beneficiaries, but also the agent of development, is not being realized.

[Sources: "Laporan Perkembangan Kasus Transmisi Listrik PLTGU Singosari" (Report on the Singosari Case), unpublished, 1992; "Keresahan Warga Singosari" (Singosari citizens feeling insecure), unpublished, 1991; "Geger Setrum Singosari" (Tumult in Singosari) Editor No. 5, Sept. 1992.]

## Commitment to Human Rights

Measures of Bank's commitment to human rights are based on how it protects the most vulnerable groups, such as women and indigenous peoples and on how it carries out its policy on involuntary resettlement.

The Bank's Policy on Women in Development (WID), adopted in 1985, recognizes the important role women play within and outside the household and emphasizes the need to facilitate the participation of women in all levels of development activities.

In a critique of the ADB's WID Program, the NGOs argued that the WID policy is limited by the Bank's perspective of underdevelopment being a mere administrative problem, and its simplistic solution requiring the transfer of vast amounts of money and technological resources.

According to an ANGOC (Asian NGO Coalition) report in 1995, the staff complement to implement such a program is too inadequate to address the needs of women. Only one WID Project Specialist was hired in 1987; assisting her were 22 WID Liaison Coordinators who were appointed in November 1990. They were primarily responsible for incorporating WID concerns into country programming and country strategy studies for each DMCs.

The WID Policy, too, has yet to cover a number of women's protection rights. Even the number of women's role projects during 1992-1995 was a minuscule one percent of total loan projects. (Contrast this to the 44 percent share of traditional-growth projects.)

Moreover, the NGOs argue that the WID component is not integrated into the overall assessment design of the projects. The policy framework itself does not acknowledge the structural factors that contribute to the subordination of women. It also ignores the reproductive side of women's lives, which affect women's ability to participate in the productive sphere.

The working paper on Involuntary Resettlement was approved on November 1995. It deals with proposed approaches to address involuntary resettlement, compensation, and rehabilitation of people displaced by development projects, drawing generously upon World Bank approaches and operational directives.

The NGOs contend that all resettlement should be voluntary; involuntary resettlement should not be an option at all. The Bank should

not consider any project that would result in involuntary resettlement. However, this basic NGO criticism was not incorporated into the approved policy.

The Bank ignores the inputs from NGOs though the NGOs' comments and positions are based on the experiences in the field. For instance, for years NGOs have monitored the process of Batang Ai Resettlement Scheme (BARS) in Lubok Antu, Malaysia (see Box 3). The local people were being replaced without their prior consent. They had no other choice other than being 'forcefully' resettled.

***Box III : The Batang Ai Resettlement Scheme***

The Batang Ai Resettlement Scheme (BARS) is located in Lubok Antu district in Sri Aman Division, Malaysia. It was established to resettle Iban natives who had moved due to the construction of the Batang Ai hydroelectric dam. The dam, which generates 92 megawatts of electricity, submerged an area about 8,500 hectares.

The official figure for the actual number of Ibans who were required to be resettled has been estimated at about 3,000 (from 26 longhouses). However, the natives claim that the total number who were forced to move out could be twice the official figure.

The natives who were moved in the first phase were resettled in an area of 3,090 hectares of land. The land was still covered with secondary forests—in spite of the State government's promise that it would be agricultural land ready for planting.

The natives who came in the second phase of resettlement, were evacuated in an emergency situation, when water in the dam rose to alarming levels. When they arrived at BARS, the longhouses promised to them, were still under construction. Further, the transportation facilities for their evacuation were insufficient. The natives had to leave many of their belongings and property behind, which were later submerged by the dam water (Utusan Konsumer, September 1995).

The Working Paper on Indigenous People was discussed by the Board in November 1994. The Paper basically states that development strategy should avoid extremes of total forced isolation and complete and rapid assimilation.

The key issues identified by the NGOs include: legal recognition of ancestral domain, recognition of the indigenous peoples' traditional social and legal institutions, and formation of a strong, well-qualified national-level institution responsible for all matters concerning indigenous peoples and their development.

At the Regional NGOs' Consultation on ADB Policies and Issues held in April 1995, the NGO participants expressed their concern that the drafting and formulation of the Working Paper did not involve consultations and communications with the indigenous peoples. The NGOs stated that "the paper itself was not distributed (let alone made available in local languages) to the peoples subject to the policy. It is difficult to accept how the paper can be fully sensitive to indigenous peoples when there has been no process of informed consultation."

The NGOs urged the Bank not to submit the paper for formal Board approval until a "full and proper consultative exchange with indigenous peoples and their representatives bodies have been made." Furthermore the NGOs called for a moratorium on Bank-financed projects with detrimental impact on indigenous peoples.

## CONCLUSIONS

We have examined three elements of good governance (transparency, public participation, and commitment on human rights) regarding ADB's Good Governance Policy. On this basis, we conclude that the Bank is still far from taking a firm role in promoting good governance within DMCs policies.

There is no clear commitment on how the Bank will implement its Governance Policy. However, we should be aware that the ADB alone cannot force the DMCs to implement good governance. In the end, it is the governments in DMCs that have to take prime responsibility. Thus, the national campaign in the DMCs is absolutely necessary.

The main points are as follows;

1. There should be a moratorium for any project that faces great public opposition. The Bank should be sensitive to public opinion. The Bank should not release any loan before the DMCs settle their conflicts with the citizens.
2. Set up a clear mechanism for access to information. For example, deposit libraries within each DMC should be seen as a supplement, not as primary means of, to pro-active information dissemination. This condition shall apply to the ADB representatives in each country. The Bank should likewise release for public dissemination all proposals, including those which are under Board discussion.
3. The Bank's Working Paper Policies and the approved Policies should be in line with the Governance Policy. The Bank should review and change some critical Policies like the Involuntary Resettlement Policy and Women in Development Policy.
4. Engaging the DMCs is absolutely necessary, because in the last analysis, good governance is the prime responsibility of the governments of the DMCs.

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# ***Issues and Questions Regarding Structural Adjustment***

**Filomeno Sta. Ana III**

**I**n one sense, structural adjustment is inescapable in this era of globalization, free trade, and open markets. National economies throughout the region (and elsewhere) are compelled to adjust and shape up to face the brave, new “real world.”

Asia's national economies have very specific characteristics. The types of economies in Asia cover a wide range: a) erstwhile protectionist economies grudgingly moving toward liberalization, b) boom-and-bust economies attempting to achieve sustained growth, c) former command economies now experimenting with market socialism, and d) newly industrializing economies competing with the highly developed countries.

All these economies are reforming, restructuring, and adjusting. Some of the countries are in the period of consolidation; others are adjusting to new problems; others still are going through a painful stage of stabilization reforms.

A few of the adjustment processes are internal reform programs, very autonomous from the policy influence of the multilateral financial institutions. But many of the adjustment programs among the low-income and lower middle-income countries are carried out with financial assistance



and policy guidance from the likes of the International Monetary Fund (IMF) and the World Bank (WB). Suffice it to say that the Asian Development Bank's (ADB) lending policies and strategies supplement, if not complement, the IMF and WB type of structural adjustment programs (SAP).

In a word, structural adjustment is everywhere. Structural adjustment will not simply vanish, simply because radicals oppose it. Structural adjustment can be called any name, but its essence remains—the need to restructure and reform the national economies in light of the new global economic realities.

Let me set this paper's perspective. Lest I be misinterpreted as pro-structural adjustment or even pro-IMF/WB, I clarify at the outset that the ideas herein aim to provoke us and the progressive movements to rethink the complex problems and issues that we grapple with in the course of our activist work vis-à-vis SAP.

This being a paper mainly addressed to fellow activists and progressives, specially those in the forefront of "mass struggles," it has at the outset to put on record the fundamental criticism against the IMF and WB brand of structural adjustment. We can call this the doctrinaire, orthodox type of structural adjustment. The Bretton Woods institutions think their programs and strategies contain immutable truths: free market, minimalist state, deregulation, liberalization, etc. In the real world, however, the application of IMF and WB orthodox programs in developing countries has led to economic stagnation, worsening poverty, widening income inequities, violation of political sovereignty, and greater external control over the national economies.

That said, let us for the time being set aside the correctness of our criticisms and the justness of our cause. Let us play the role of a devil's advocate. Let us be self-critical and be open to new ideas, even the heretical ones. To do so, after all, is the mark of our maturity and confidence.

Social movements, together with peoples' organizations (POs) and non-governmental organizations (NGOs), have made SAP a main, if not central, issue in the struggle for genuine development. The most progressive of NGO and PO movements at the national, regional and global levels have opposed and rejected the SAPs supported by the IMF-WB. The progressive movements all over the world have targeted the Bretton Woods institutions, the creditor governments, the debtor governments, and the national elites in the debtor countries as the main culprits. Through effective education and propaganda work, activists have exposed to the world public how all

the above parties are hand in glove, as it were, in conceptualizing, designing and implementing SAPs.

It is perchance an accomplishment of the progressive movements to have discredited structural adjustment. Because of the pain attendant to it, structural adjustment is unpopular to the peoples who have been forced to go through it. In fine, structural adjustment has gained a bad meaning.

5. Yet, as earlier said, many developing countries cannot avoid structural adjustment. These countries suffer from a recurring foreign exchange or balance of payments crisis as well as a chronic public sector deficit. With or without the IMF-WB, their development is impeded by deep structural problems.

Structural problems exist regardless of the IMF-WB role. More often than not, problems like trade and budget deficits have led to a crisis, even before the intervention of SAPs. To be sure, the multilateral financial institutions' impingement on the national economies through their programs has aggravated the problems and even created new ones.

Structural change is the logical response to structural problems. It is tempting to use the term "structural transformation" to distinguish the progressive alternative from structural adjustment. Even then, the process of transformation involves reforms and adjustments. "What is in a name? that which we call a rose; By any other name would smell as sweet." (In the case of structural adjustment, it would be by any other name that would smell as bitter.)

6. The point is: Structural adjustment per se is not bad. I would like to think that our opposition to structural adjustment is qualified. It is opposition to the IMF-WB ex cathedra type of structural adjustment.

Call it by any label, but ultimately what matters most would be the substance, content and appropriateness of an adjustment program. A major challenge for progressive movements is to develop an alternative structural adjustment model that in the concrete adheres to the goals of poverty eradication, social justice, sustainable development, and people's empowerment.

In a tactical sense, an objectively done, people-oriented alternative structural reform program may have similar thrusts, policies and elements found in the orthodox IMF-WB program.

A tendency among us is to criticize elements of structural adjustment that are but tools for macroeconomic management. Economic tools (public

spending, taxes, money supply, interest rate, exchange rate instruments) are not the monopoly of one ideological camp. A socialist government, just like any capitalist government, can increase or reduce government spending, impose or remove taxes, and so on.

Further, these tools are not magic formulas. They may bring benefits, if correctly applied, in the same way they can result in disasters, if wrongly done. Judging the correctness or incorrectness of the use of an economic lever depends ultimately on a specific context or (what the Left calls) “the concrete analysis of concrete conditions.”

Devaluation, for example, is criticized for being a standard conditionality of an IMF program. The criticism is that an IMF-imposed devaluation would fan the flames of the crisis in a developing country undergoing structural adjustment.

The terrible experience of peoples in many countries with devaluation has made many of us to conclude that devaluation is at all times wrong. It is understandable that such a conclusion would emerge at the level of perception. Yet, we should not let pass an absolute conclusion that devaluation is forever bad since devaluation by itself is neutral. The net gain or net loss from devaluation depends on the specific context of its application (e.g., design, sequence, timing, and political sensitivity)

Theoretically, devaluation as a policy tool is meant to resolve balance of payments problems of developing countries. Devaluation dampens imports at the same time it boosts exports. Further, high-value added export products gain from a depreciated national currency.

In another sense, devaluation is a form of protectionism: it protects domestic products and employment as it makes competing imported goods expensive. (Hence, devaluation can become a “nationalist” tool.)

It cannot be denied that devaluation worked in some countries. In their early stage of industrializing, the East Asian tiger economies aggressively devalued their currencies to strengthen their export sectors. The socialist People’s Republic of China is currently following the same strategy of deliberately devaluing its currency.

Devaluation, however, failed in a bigger number of countries. The difference, however, is that in countries where devaluation failed, their devaluation was, to an extent, force majeure—coming on the heels of a sharp foreign exchange crisis. From an objective viewpoint, the pressure of devaluation will continue to hound countries running trade or balance of

payments deficits. In this situation, devaluation is inevitable as night follows day.

In this light, the questions to ask include: What are the conditions to make devaluation work? What should be done to neutralize devaluation's negative effects (e.g., price shocks)? A follow-up question: Is the institution of safety nets (the new buzzword of the multilateral financial institutions) enough to make devaluation—and other painful measures related to structural adjustment—acceptable?

We can cite other examples of the seeming intersection between the orthodox IMF program and an alternative SAP, so to speak.

Export promotion is another example worth discussing. A standard criticism against the IMF-WB model is its strong bias for an export-oriented economy. For many progressives, export-orientation in its present usage has a negative connotation. It suggests an all-out export drive at the expense of the domestic market, food security and environmental sustainability.

However, we cannot simply brush aside export promotion. Low-income as well as middle-income countries badly need export earnings to finance imports and other requirements to develop.

Moreover, it does not necessarily follow that an aggressive export strategy would translate into neglect of the internal economy and food security. The proof is the success of the newly industrializing economies (NIEs) in strengthening the domestic market at the same time exploiting to the hilt the opening in the export arena.

Further, we should even look at exports—i.e., export products that have high value-added—as means to expand production, serve bigger markets and thereby create more jobs and generate higher incomes for the national economy.

Another criticism against SAPs is their inclusion of a conditionality to increase taxes. People, regardless of class, are resistant to new taxes that force a reduction of their incomes. Having new taxes is, more often than not, unpopular.

But then, any government needs taxes to finance its expenditures. Government cannot forever rely on borrowing and printing money. Furthermore, taxation is a tool to redistribute income and wealth: Tax the rich, and use the revenues to provide services to the poor. To put it bluntly, taxation as part of structural adjustment is fine if it would serve redistribution goals.

The bigger issue then is the system and manner of taxation. In the Philippines, the regressiveness of taxation is reinforced by contractionary and anti-poor tax policies done in the name of structural adjustment (e.g., import levy, petroleum tax). Worse, in many countries, the IMF in particular has either endorsed or accepted taxes that put a heavier burden on the poor. The IMF's bottom line is for the client-government to attain high revenue targets, without much regard for the incidence. Of course, the easy way for government to meet the IMF targets is to impose and collect the regressive indirect taxes.

Privatization, liberalization, and deregulation are the major controversial policies identified with IMF-WB programs. It is obvious, specially for progressives, that the pure free-market policies of the IMF-WB have had disastrous effects on many developing countries.

In the Philippines, for example, past liberalization policies failed to attain the desired objectives. Privatization meant transfer of government corporations to private cronies, fortifying their control over important industries. Foreign exchange liberalization had the unintended effect of appreciating the local currency, thus penalizing exports and contradicting government's key objective of gaining international competitiveness. Trade liberalization did not result in lower prices as the import or distribution of goods was still monopolized by a few.

But again, we have to clarify that privatization, liberalization and deregulation are tools that anyone regardless of ideological color can adopt. Under a different set of circumstances and conditions, market instruments applied at an appropriate time in the political economy can serve progressive objectives. Privatization can lead to the democratization of asset ownership (i.e., giving access to ordinary citizens to become shareholders). Liberalization and deregulation can serve to: a) break up profiteering monopolies or cartels; b) lower prices and improve product quality to benefit consumers; c) penalize waste and inefficiency; and d) reward entrepreneurship and innovation.

It is nonetheless important to stress that liberalization can work best within the framework of social regulation and state intervention for the public good.

In sum, it is probable that some elements we oppose in the IMF-World Bank's SAP will be part and parcel of our alternative: devaluation, export-orientation, revenue enhancement, etc. Further, we have to be candid in saying that the alternative program will include measures that will be

It is thus the urgent task of the progressive movements and forces to clarify at the same time sharpen the critique of IMF-WB structural adjustment. On the one hand, we have to acknowledge that given certain conditions, we can accommodate some elements of the IMF and WB structural adjustment program.

On the other hand, we have to spell out the basic differences between the alternative progressive program and the IMF-WB orthodoxy. The basic differences are found on different levels: framework, design, implementation.

On a general level, the fundamental criticisms against the IMF-World Bank program are:

a) the ideological rigidity and dogmatic application of so-called free-market principles;

b) the insensitivity to national economic, political and cultural specificities;

c) the meddling in internal affairs of weak debtor governments and resort to bully tactics (e.g., withdrawing bilateral assistance without an IMF program);

d) the practice of discriminating against developing countries through double standards (e.g. soft on the protectionism of highly industrialized countries but hard on the protectionism of developing countries);

e) the lack of a democratic culture (accountability, transparency and peoples' participation);

f) the de-emphasis on social justice, human rights, and equity concerns; and,

g) the glossing over of social and human development indices and even distortion of country-specific poverty measures.

It goes without saying that the alternative institutions and programs are the antithesis of all the above. Moreover, the strategic direction of progressive, alternative structural adjustment programs is the eradication of poverty eradication, promotion of social equity, enhancement of human rights, and upliftment of the peoples' well-being. This is far different from the IMF road that leads to deepening capitalist reforms.

At certain points, a convergence of the two paths may occur. But the IMF path will in the end face an immovable roadblock. For the IMF-endorsed drive for private profits and unbridled markets—resulting in the marginalization of the poor and production anarchy—will be the barrier to democratic, equitable, and sustainable development.

At this point, it is worth citing a more sober, more objective but progressive critique of structural adjustment done by Tony Killick. In a paper titled "Structural Adjustment and Poverty Alleviation: An Interpretative Survey," Killick raises thought-provoking interpretations, among which are:

a) "The issues are too complex and the obscurities too large to permit simple generalizations." Killick, for instance, notes the difficulty in practice "to disentangle the effects of many factors bearing upon the welfare of the poor from those of the policy measures incorporated in a SAP."

Then, there is the "problem of the counterfactual: do adjustment programmes result in a better poverty situation that would have obtained without them? Economies are often in crisis immediately prior to adoption of a SAP, so that failure to act could scarcely fail to deepen the poverty problem. Some researchers do not adequately take this into account, imputing to adjustment adverse effects which are more appropriately attributable to the causes of the initial crisis."

b) "The poor often are put at risk by SAPs." This statement is self-explanatory.

"However, the negative effects of adjustment programmes have been commonly exaggerated."

As earlier said, some measures related to structural adjustment can result in positive effects. It is hence relevant to do a cost-benefit analysis. Export-promotion measures, for example, "are likely to create new employment opportunities, and depending on the ownership of cash crop production, to raise smallholder incomes."

The perception, too, is that SAPs result in deep cuts in social spending. This is not always the case, based on empirical literature. "Although there have been serious declines in the quantity and quality of provision in Africa and Latin America, this deterioration appears to be largely attributable to the rising claims of interest payments on the public debt and general conditions of budgetary stringency, rather than to the specific provisions of SAPs." (On the other hand, one may argue that SAP stabilization measures

lead to restrictive fiscal and monetary targets.) Social spending, says Killick, "is shown to be relatively protected." This is because "when they have to cut, governments prefer to protect the current budget to the sacrifice of capital formation."

c) "Properly understood, adjustment is a necessary condition for an effective long-run attack on poverty." This statement echoes my earlier assertion that structural adjustment (or whatever we call it) has to be done to address chronic structural problems of a national economy, which in turn aggravate poverty. In the words of Killick, "structural and institutional transformation is intrinsic to long-run development. Within this context, SAPs are better understood as merely a special (albeit particularly intensive) example of the permanent requirement for national economies to adapt to changing circumstances and opportunities."

d) "National governments have the prime responsibility for protecting the poor during adjustment." The context of this statement is that reform policies "also reflect the distribution of power and influence." Killick also says that "adjustment is as much a problem of political management as of economic design, requiring all the skills and resourcefulness of political leadership."

Another reason for stressing the primary responsibility of national governments is that "the social costs of adjustment are a steeply rising function of delays in embarking upon adjustment measures." In other words, national governments could have avoided the crisis and attendant pain of structural adjustment if they implemented internal reforms (an autonomous, internal adjustment program) before the crisis.

Killick, nevertheless, hastens to add that the international financial institutions "must also share the responsibility in many cases." Killick notes that "this is an obligation which both the Fund and Bank now acknowledge."

All this brings us to the question of the progressive movements' strategy vis-à-vis the Bretton Woods institutions and other multilateral financing institutions. The debate on strategy usually boils down to whether we demand the abolition of the IMF and the World Bank or we press for their reform. To be objective, it is better not to make a dichotomy between the two positions. This reminds me of the Marxist theory on reform and revolution: the struggle for reforms serves to advance the revolution. Or to say it in a non-Marxist way, the hard and soft strategies can be combined to chalk up gains and eventually defeat the enemy.




Of course, this is easier said than done. A strong tendency within the peoples' movements is to dismiss the reform struggle altogether. For instance, some of us are closed to the position of negotiating for better terms, for this implies recognizing the legitimacy of the IMF and World Bank. The unyielding position is to totally sever ties with the IMF and World Bank.

But the real world cannot be changed at an instance. The international financial institutions are a fixture in the world's financial system. Governments, including those with a progressive or socialist standpoint, will invariably be tempted to seek the IMF so long as their national economies continue to experience trade and other structural problems. Whether we like it or not, the IMF is still seen as the key to open the gate for official development assistance and private capital to flow into financially strapped developing countries.

It is high time we engaged the IMF and World Bank on different turfs, including their own turf. We draw confidence from the thoroughness of our critique, the justness of our cause, and hopefully, the peoples' overwhelming support.







# ***The India Portfolio of the Asian Development Bank***

**Society for Participatory Research in Asia**



## **POLICY FRAMEWORK FOR ADB'S INDIA PORTFOLIO**

The Asian Development Bank (ADB) was founded in December 1966, and its lending to India began in the mid 1980's. India receives funds from the ADB from its Ordinary Capital Resources (OCR) on standard terms. India does not receive loans from the ADF (Asian Development Fund, which is the soft loan window of the ADB). Although the articles of agreement do not disallow India from accessing ADF loans, and India formally qualifies for concessional loans since it is classified as a Group A country (i.e. with per capita income below \$610), being home to 40 per cent of the world's absolute poor, it has had no access to ADF, in complete contrast to category A neighbors, namely Pakistan and Bangladesh.

As of December 1994, the cumulative Bank lending to India was a little over \$5 billion. However, the rate of utilization of loans taken by the Government of India (GOI) has been low, and the cumulative disbursements up to the end of 1994 were just short of \$2 billion. Concerned with this poor utilization rate, the ADB and the GOI appointed a Country Review Mission. A technical loan was awarded for this purpose and the GOI initiated an

internal review through study of Project Monitoring and Procedural Streamlining. The reviewers recommended and brought about agreements that were aimed at streamlining procedures, monitoring aid utilization, and permitting a review of project implementation on a monthly basis. The review also opened up the possibility of lending to private entities under government guarantee.

The India portfolio review followed on the heels of the ADB's new institutional strategy set out in the Medium-Term Strategic Framework (1992-1995). Based on the premise that a balanced approach to improving the living standards and quality of life in Developing Member Countries (DMCs) was necessary, the framework of the Bank set five strategic objectives:

- \* Promotion of economic growth
- \* Reduction of poverty
- \* Improvement of status of women
- \* Supporting human development
- \* Protection of the environment.

Further, the ADB underscored its commitment to these objectives through the budgetary framework of the Three-Year Rolling Work Plan, which assured that funding for social and environmental projects would not fall below 50 per cent. In addition it initiated a number of Country Operational Strategy Studies(COSS), which were to help the ADB "sharpen the country focus of Bank operations". The country strategies were to take account of the DMCs' priorities and progressively integrate the Bank-wide strategic objectives outlined above into the overall country strategy.

Again, in the conclusion of the ADF Progress Report: Report of the Board of Directors to the Board of Governors (April 1994), it is stated that the "strategic framework applies not only to ADF operations, but also to those financed from OCR. The development priorities set forth in the Report now permeate all of the Bank's activities. In a real sense, therefore, these past two years (1992-1993) could be considered a turning point in the Bank's operations."

Despite these stated commitments, no change in the overall strategy of the ADB's operations resulted either from this or from the subsequent review of the India loan portfolio. In fact the 1993 Annual Report states: "Industrialization of the economy, with emphasis on private sector, and infrastructure development remain the focus of the Bank's strategy in India."

No evidence of change in the thrust of the ADB program in India was seen in the 1994 lending portfolio, as evidenced by the list of proposed loan

projects. The Country Program Notes for 1995-97 states that the "Bank's operational strategy for India is focused on promoting efficient industrialization of the economy by (i) enhancing the policy environment to promote accelerated growth through private sector participation, (ii) supporting increased investment through the provision of economic infrastructure (physical, social and financial) through the public and private sectors, and (iii) making catalytic private sector investments in areas where the policy environment has been enhanced or where new technology is being introduced." The Notes underscores ADB's continued support for private sector lending.

The Notes also highlights the Banks failure in addressing important questions regarding strategies and mechanisms needed to ensure a link between broader Bank objectives of reduction of poverty and improvement of the status of women, and a one dimensional thrust towards accelerated growth and private sector investment. The strategy development of the India Country Program is lacking in depth which may be a result of the limited input and participation its formulation.

If one examines the stipulated 50:50 project mix commitment which was outlined in the Framework, it is clear that the India ADB portfolio remains strictly outside the boundaries of consideration. Infrastructure and energy development are the only areas which received funding as is seen by the following sectoral breakdown of loans to India as of August 31, 1995:

Power  
Energy and Gas  
Ports  
Railways  
Roads  
Industry and Financial Sector  
Telecommunications

This is also not in line with the ADB's policy initiative in social dimensions. In October 1993, ADB issued the Guidelines for Incorporation of Social Dimensions in Bank Operations." The social dimensions identified in the "Guidelines for Incorporation of Social Dimensions in Bank Operations" are:

- \* poverty reduction
- \* women in development
- \* human resources development
- \* vulnerable groups

The framework underlying the policy to incorporate social dimensions is the “explicit recognition that people are the center of development and that development is for all the people.” The social processes that have been identified to support these dimensions are the participatory approach, gender analysis, social analysis, and cooperation with NGOs. Given that the ADB medium-term strategic framework describes poverty reduction, women in development and human resource development as strategic development objectives, there is analytical confusion in identifying these also as social dimensions to be incorporated in Bank operations.

For example, poverty reduction is identified as having social, environmental and institutional dimensions. The ADB has an understanding of social dimensions that cannot be assumed to accurately inform ADB policy or procedures on social aspects. The very limited interpretation of who should be consulted during the project cycle or confusion regarding who is to participate or be consulted that is reflected in Project Profiles (PPs) may be a manifestation of the lack of distinctions in the Guidelines between strategic objectives and social dimensions.

According to the Guidelines, in both determination of the country strategy and ADB-financed operations, early identification of social dimensions is important. Hence, the COSS is a key document that should thoroughly examine social aspects. The Pre-Project TA fact-finding at the beginning of the project cycle is the key step in the field during which assessment of social dimensions (and recommended consultations with beneficiary groups) should occur. As a result of the Bank’s guidelines on social dimensions, all Reports and Recommendations of the President (RRPs) require a section delineating the relevant social dimensions and how the project will address them. While this is in principle laudatory, it is necessary to monitor its implementation closely to ensure that project staff take social dimensions seriously and do not view this as a ritual to be incorporated in RRP’s and not followed-up.

### APPROACH AND STRATEGY IN INDIA

The ADB strategy in India, from the inception of its lending to the country, has heavily emphasized growth and efficiency. The vehicle for growth is seen to be industrialization and private sector investment. The ADB’s approach has been to target its lending to sectors that will directly benefit industries and stimulate private sector investment in the economy. Hence, the strengthening of infrastructure, principally in the sectors of power, transport (roads & railways), energy development (including gas) and ports, has been the focus of the India country lending program. To support industrialization, ADB has also provided loans to public sector units that

lend money for investment in industries. More recently, the reform of the financial sector has also been included in the list of sectors for ADB program loan support.

The policy reform measures in the financial sector and in hydrocarbons are specifically intended to encourage government to provide a more conducive environment for private sector participation. In the financial sector reform package, measures such as increased competition among banking institutions and greater operational autonomy are intended to help attract private sector participation. Measures recommended in the hydrocarbon sector are related to pricing and regulatory reform.

The unsatisfactory level of disbursements, due largely to, according to ADB, low absorptive capacity and poor performance of public sector agencies responsible for implementing ADB projects, has also prompted ADB to adopt a strategy that promotes private sector participation. Use of OCR funds meant for the public sector to finance a project executed by a private sector agency is an innovation recently attempted in the power sector. The fact that in the forthcoming Balagarh Thermal Project in the government is providing a guarantee for the implementers of the project, the Goenka group, is an indication that government has recognized the institutional capacity problems in the public sector.

Apart from an approach to development that favours industrialization and, hence, an emphasis on strengthening infrastructure, it is likely that an overwhelming bias towards lending for infrastructure is also a byproduct of the lack of India's access to the ADF. Access to ADF would have made it more likely that there would be some social sector projects. Indeed, it is probably true to say that, had India been an ADF recipient country, the development framework for India would have also included human resource issues.

The more limited approach to development in India as described in the Asian Development Outlook and to some extent in the Annual Reports, is in contrast to the development framework outlined in these documents for countries such as Pakistan and Bangladesh. For these countries, the documents emphasize a more broad-based approach recognizing the development of human resource capacities as important aspects of growth.

The ADB strategy in Pakistan is to emphasize greater economic growth and infrastructure development, but it also emphasizes human resource development as an essential element of sustainable and equitable growth.

In reference to Bangladesh, ADB's view is that government needs to emphasize physical infrastructure and human resource development, with a



greater priority to health and education but also addressing some major problems in the organization and delivery of such services.

In Pakistan and Bangladesh, agriculture and agro-industry (two sectors, particularly agriculture, more directly affecting poverty reduction than industry or infrastructure) receive the maximum funding of all the sectors. Social infrastructure also receives significant funding in both these countries. Pakistan and Bangladesh have access to ADF and their funding from ADF far exceeds that of their funding from OCR. There is no lending to India for agriculture and agro-industry or for social infrastructure. Whatever recognition of social impact and direct beneficiary-orientation there is can be found only in the context of the impact of infrastructure projects on the affected groups. But as yet there is no data available to indicate what the nature of this impact has been.

The closest the ADB has come, so far, to assisting the GOI in addressing social issues is a technical assistance grant to assess the National Renewal Fund (NRF) approved in 1992. The NRF was established by GOI to mitigate one of the social costs of adjustment, viz. the retraining of workers laid off by public sector units.

## **ADB PROJECT SECTORS IN INDIA**

### **Power Projects**

The power projects which are being funded in India are the North Madras Thermal and North Madras Thermal II projects in Tamil Nadu, the Unchahar Thermal project in Uttar Pradesh, and the Rayalseema Thermal project in Andhra Pradesh. These are all designed to meet the demand for electricity of the industrial units in these states. As mentioned before, the ADB's strategy is to support infrastructure to stimulate industrial production in India. Power projects supported by ADB are also intended to put into productive use the coal reserves of India. On location of power projects, ADB's approach is to focus on those states and state electricity boards that are willing to undertake specific reforms and to discuss, prepare and agree to implementation of operational and financial action plans.

All the above power projects, except the Unchahar, are ongoing. The earliest closing is estimated to be in the middle of 1998 (the North Madras Thermal II). One project in the pipeline is the Balagarh Thermal project in West Bengal, which is to be implemented by the private sector Goenka group, with the loan guaranteed by the government.

## Ports Projects

The main objectives of the port projects is to improve the facilities, management, and operations at selected major ports to enable economical and efficient handling of cargo. In one case, an ADB-financed port project directly supports the efficient transportation of coal for a power plant being constructed under another ADB-financed project, the North Madras Thermal, among others. The objective of the Coal Ports project is to provide adequate port capacity at Paradip and Ennore ports up to the year 2001 for coal to be transported by a rail-sea route from the Talcher Coalfields in Orissa to power plants in Tamil Nadu.

According to ADB, studies have shown that the transportation of coal to power plants in coastal regions is cheaper by sea than by rail. Transportation by rail should be limited to the distance between the coal mines and transshipment ports. Hence, to improve the efficiency of sea transportation, adequate port and other infrastructure to facilitate the movement of coal is necessary.

## Poverty and Social Dimensions

Virtually no information is accessible regarding how poverty and social issues have been addressed in the context of ADB's infrastructure projects. It is also not known how many people have been affected by ADB-financed infrastructure projects and if any attempt has been made in these projects to identify affected groups and address their needs.

Although land has been acquired for a few of the power projects, it is not known if there were people living in the area who had to be moved and what measures were taken for resettlement and rehabilitation. It is understood that the general approach towards affected groups has been to compensate them. Projects approved in 1994 and later were required, presumably, to address social dimensions, since it was made a policy. However, without access to project documents and/or social assessments, it is difficult to review ADB's effort in this area.

## Environment Concerns

The power projects, it was learnt, are usually categorized as Category A projects and required to have Environment Impact Assessments (EIAs). Category B projects are required to have at least Initial Environment Examination (IEE) reports, although they may also have a full-scale EIA. As with documentation to do with poverty or social dimensions, without access to EIAs and IEEs, it is difficult to assess ADB's effort to address

environmental concerns. It appears, though, that ADB's concern is more in addressing environment issues rather than in addressing poverty or social dimensions. In addition, some institutional strengthening initiatives being undertaken through Technical Assistance (TA) are intended to improve the capacity of public sector executing agencies to address environmental concerns effectively.

### Technical Assistance (TA)

As of August 1995, a total of 66 TAs had been approved for India. Of these, 19 were Pre-Project TAs and 47 were AOTAs (Advisory and Operational technical assistance). The complete list is contained in Appendix 1. Since TA descriptions are not available, from the listing it seems that most of the Pre-Project TAs are feasibility-related studies.

According to the ADB, the focus of TAs, particularly those related to the environment, is shifting from an assessment mainly of what should be done to also one of how it should be done. Also, consistent with the experience of ADB with regard to inadequate institutional capacity of public sector units in implementing projects, many TAs are focusing on institutional strengthening more directly (rather than being limited to identifying institutional needs).

Of the environment TAs, a proposed TA on Industrial Pollution Control is intended to strengthen the capacity of state pollution control boards. Also of particular significance is the one on Strengthening EIA Capacity and Environmental Legislation. In addition to institutional strengthening, this TA provides a legal framework that could have the effect of empowering NGOs and other agencies to take legal actions and check violations of environmental norms by institutions implementing projects. The TA on Energy Efficiency Support also establishes a legal framework that will improve government capacity to enforce energy efficiency.

### SCENARIO BY YEAR 2000

For the most part the approach of the past—favoring industrialization and creating an enabling regulatory and physical environment for private sector participation—will remain over the next three to four years. The ADB's strategy will emphasize upgrading and modernizing facilities and improving productivity. The strategy will promote the establishment of new private sector financial institutions such as commercial banks, investment banks, and mutual funds to encourage competition and diversify market forces.

According to the ADB, the focus on the private sector is mainly for two reasons: first, the low absorptive capacity of public sector units leading

to slow pace of aid utilization; second, the increasing potential of the private sector as a source of development financing and technological upgrades. The focus of efforts in the industry and trade sectors will be in promoting mainly export-oriented and import-substituting industrial projects that can stand on their own without tariff protection.

The sectoral focus is going to remain overwhelmingly in favor of infrastructure. The project mix is 48.2% for infrastructure and 24.1% for industry (see Appendix 4 for project mix of 1994-97 lending program), as compared to the prescribed 50:50 project mix. The financial sector is an area of interest for ADB, and, as noted before, it has already begun policy-based lending to that sector. Urban development constitutes a new sector for ADB operations. An Urban Sector Study under a TA (value about \$400,000) will analyze the sector status and issues, crystallize sector policies, plans and programs for the medium-term and assess need for external assistance in the sector. The appraisal for the Karnataka Urban Infrastructure Development Project was undertaken during the summer of 1995.

The ADB proposes to increase its use of program lending in the industry and trade sector. An industrial program loan is to be approved for 1995 and a trade sector program loan for 1996. In view of the unsatisfactory disbursement levels for India, ADB envisages larger number of smaller loans in the next three years. (See Appendix 2 and 3 for a list of proposed ADB projects and TAs for 1994-97).

If ADF funding continues to elude India, there is virtually no chance of direct poverty reduction activities and/or social sector lending. The increased awareness within ADB on the importance of poverty and social issues (as manifested by documents like the Report of the Task Force on Project Quality and the Medium-Term Strategic Framework), accompanied by the existence of specific guidelines for the incorporation of social issues in ADB-financed projects, is a step forward. However, the policy statements on poverty and related social concerns have yet to be translated into sectoral loans or project implementation.

A number of studies commissioned have unanimously indicated that the poverty problem in India remains largely in the rural areas, although urban areas have their own specific poverty issues. And yet the poverty dimensions are missing in the rural sector projects of the ADB, which are all highly infrastructure and technology oriented.

Take the agricultural sector. The share of agriculture in India's GDP is 32 per cent. It employs 62% of the labor force and poverty in rural areas is 49 per cent. In spite of this there is no funding by the Bank for the agriculture

sector in India. Countries such as Malaysia, Pakistan, Indonesia or Philippines get funds for agriculture, although the share of agriculture in their GDP is much less compared to that of India.

Another objective of the ADB is to achieve a 50:50 project mix regarding social sector lending. This is not easy to estimate because it can always be argued that investments in the energy sector or transport and communication also help the agriculture sector, thus leading to poverty alleviation. This then may be termed as social sector lending or at least partially so.

But if one were to identify the end-user, an increase in electricity only helps those farmers who have a well (i.e. large and medium farmers). The small farmer depends generally on rain-fed agriculture. Therefore only those farmers who have a well can hypothetically use electricity for irrigation. But farmers who have a well and can afford to install a pump also usually install a diesel/petrol/kerosene electricity generator. This is because agriculture is doomed if it depends on the erratic and intermittent electric supply which is the rule rather than the exception in rural India. Therefore the hypothetical linkages between increase in electricity production, thus improvement in the agriculture sector, and ultimately poverty alleviation are difficult to establish.

Similarly the transport and communication projects funded by ADB in India quite literally bypass the poor in India. Most of the roads for which the Bank is providing finance are expressways connecting large and metropolitan cities, and they only help in faster movement of goods and raw materials for the industrial sector. There are still thousands of villages that are not connected by any kind of road especially in the vulnerable areas of the country. It is therefore not possible to provide even basic services such as maternal and child health care to these forgotten people. There is no funding by the Bank for roads in such areas.

### **BENEFICIARY PARTICIPATION**

Beneficiary participation has only recently become part of the ADB lexicon. None of the projects currently implemented in India seem to have so far included it. While Project/Program Profiles now require a short description of beneficiary participation/consultation needs, it is not clear if they are being followed in those projects that have identified such needs.

In any case, an examination of the beneficiary participation/consultation needs identified in profiles of projects in the pipeline suggests some differences in interpretation between ADB and those in the NGO sector and even some other multilateral and bilateral institutions.

Except for one, profiles for projects in which the column on beneficiary participation/consultation needs has been entered view beneficiary/consultation needs narrowly to include only direct consumers (beneficiaries), implementing agencies, other donors, state agencies, and manufacturers. In these projects, consultation needs have not been interpreted in a way that will include affected groups at the grassroots level, i.e., those who may not directly benefit from the project but, indeed, may be negatively affected.

Only one profile of a proposed project, the Industrial Forest and Biomass (loan amount not given) considers that consultation will be required with residents at and near the project areas, once these areas have been identified. The project is intended to target about 20 of the economically and environmentally most promising private sector projects in this sector.

Having more of a supposedly social orientation than any past or proposed (i.e., during the next three years) ADB projects in India, the Karnataka Urban Infrastructure Development Project and Urban Infrastructure Development II, are the only ones in which the direct consumers (beneficiaries) are those at the community-level and in which beneficiary consultations include consultations with NGOs and community-based organizations.

The profile of the TA on the Urban Sector identifies NGOs as institutions that will be consulted, although, as with the two proposed urban projects, it is not clear when during implementation or the processing cycle these consultations are to take place.

A proposed TA on Earthquake Disaster Relief in Maharashtra state aims to assist the Government of Maharashtra in implementing a comprehensive program to rehabilitate the villages damaged by the earthquake on September 30, 1993. The TA will cover institutional development of local institutions in the areas of project management and supervision, engineering design, and financial reporting. The TA profile states beneficiary participation and consultation will be ensured through consultation with communities and NGOs if planned components require. Given that many NGOs are also involved in earthquake relief efforts in the area, it is not clear if the term "local institutions" is only for local administrative bodies or if it also includes NGOs. If the latter, then the caveat in the beneficiary consultation section of the TA profile, is significant because it makes consultation optional. If the former, then the exclusion of NGOs from the scope of the TA suggests a limited appreciation of the widely recognized NGO activities in the area.

Several project profiles either have "NA" (Not Available) or Not Required in the section on beneficiary participation/consultations, or the section has been left blank. These are in the sectors of energy, industry, environment, transport/roads, telecommunications, finance, and ports. It is not clear if this means that even a cursory assessment of beneficiary consultations were not done in time to be incorporated in the profiles. Or whether it has been determined and finalized that participation/consultation with beneficiaries is in fact not required, and leaving the section blank in some cases means the same as Not Required.

## ISSUES FOR CONSIDERATION

The issues for consideration are:

1. India's access to ADF: What are the considerations behind the continued exclusion of India from ADF?

2. a) On poverty and social sector lending: Although poverty reduction is an ADB strategic objective, why does it not find a substantive mention in the Country Program Notes for India 1995-97? There is nothing in this document to suggest that poverty will be directly addressed even in components of traditional projects.

b) ADB's policy is to reach a 50:50 project mix, but given that social sector lending is not likely in the next three years at least, and maybe not until, if ever, India has access to funds from ADF, how are human development concerns like health and education going to figure in projects?

c) Why is resettlement and rehabilitation not an issue so far in power projects, given that there is acquisition of land? Are there no people living on the land acquired, or have the people been given compensation and asked to move? Are the numbers of people affected by the project small by ADB standards and hence not considered to be an issue?

3. On environment: Notwithstanding the intention to include more social components in the projects, it appears that the major social aspect to be included in projects is likely to be only environment protection. Is this going to be addressed as part of project preparation or as a component of the projects? How is this effort going to be funded—through OCR or through grant money? If grant money is used, can grant money be made available for other social aspects also?

4. On disclosure of information: Despite a more liberal disclosure of information policy, the implementation of this appears not to be consistent


with the policy. For example, PRIA was specifically denied access to the ERBOP, even though permission for it was sought through the Resident Mission. However, the Country Program Notes were made available after permission was obtained from Manila. What is the significance of Country Program Notes, which is not mentioned as being part of the documentation leading up to a loan? The RRP's, we are told, are all marked confidential and cannot be made available except with prior permission of the Government of India.

The ADB needs to clarify the following:

- a. Which ADB documents are declassified?
- b. Is there a distinction between declassified documents which are available freely and those that can be made available only with prior [written?] permission? If there is such a distinction, why does it exist?
- c. Who does an NGO in India approach for documents? The India Resident Mission or ADB in Manila? From whom is written permission required?







# ***A Critique of the ADB's Country Operational Strategy for the Philippines***

Filomeno S. Sta. Ana III

**T**he perception is a deep divide separates the progressive NGOs and the Asian Development Bank (ADB) on development philosophy, vision, framework and objectives. Arguably, an NGO critique of the ADB has an adversarial stereotype.

Yet, we have to recognize that the NGOs and the ADB have converged on a number of critical issues. It is imprecise to generalize that all NGOs have adopted a less adversarial stance and the ADB as an institution has changed. To refine the point, we refer in particular to the NGOs involved in critical, reform-oriented engagement on the one hand and open-minded, socially sensitive ADB officers and staff on the other hand.

The area of intersection between this type of NGOs and the ADB reformers is broadening. The NGOs and ADB are converging on such themes as primary health, basic education, poverty reduction, environmental protection and women in development.

All this nevertheless does not suggest a near resolution of the fundamental differences between the NGOs and ADB on philosophy, economic creed, and development paradigm. Even on the contextual

application of development or economic tools, the NGOs and ADB have sharp differences.

That said, the ADB's operational strategy for the Philippines requires a more subtle critique. Such a critique must capture the nuances of ADB's analysis, prescriptions and positions. Then can the NGOs develop a more rigorous position and a more sophisticated strategy.

## THE ADB'S STRATEGY

In putting forward this critique, we have mainly referred to an ADB primary document (classified restricted) titled Philippines: Country Operational Strategy, prepared by the Programs Department (East), Division 3. Published in November 1993, this country operational strategy (COS) is in effect for three years. The ADB has yet to publicly come out with a new COS.

The ADB's strategic objective for the Philippines is to increase "sustainable growth rates and growth." To achieve this, the ADB has targeted activities under two categories: activities with near-term impact and those with medium-term impact.

The strategic focal points for the near term are: greater private-sector investment, globally competitive economy, and provision of credit. The tools to carry out such foci are policy dialogue focusing on micro-policies, private sector window investments, and directed credit for on-lending.

For the medium term, the primary activities are infrastructure development and rehabilitation and protection of the environmental resource base. Again, policy dialogue, with emphasis on "appropriate micro-policies," is the core of ADB's tactical tools, along with infrastructure investment.

A secondary activity with medium-term impact is human resource development through human capital investment. In its Country Program Notes 1995-1997, the ADB prides itself for having "taken on a larger role in the health sector." With regard to education, according to the Country Program Notes, the ADB will focus, among other things, on "(I) improving the efficiency, accessibility and quality of the secondary education system; and (ii) improving literacy, numeracy and self-learning capabilities of the poorest adults and out-of-school youth."

## ADB CONCERNS

A major ADB concern is that the macroeconomics targets of the medium-term Philippine development plan (1993-98) are ambitious. In

particular, the Bank notes the "downside risk" in the Philippine government's targets. Government's response is that the forecasts are "fighting targets" to muster private sector confidence in the Philippine economy.

For 1993-95, clearly the government has failed to meet its own growth targets. It is likewise wishful thinking at this point for government to reach the original targets. (See Annex A.)

Like everyone else, the ADB describes the pattern of development in the Philippines as "stop-go growth," also known as "boom and bust." The main characteristic of the "bust" part is the huge foreign exchange imbalance.

To sustain growth, the ADB gives special attention to public spending on infrastructure. "Given the virtual absence of real growth in the Philippines during the last decade, perhaps the single most important indicator of Government policy will be the level of infrastructure and other public investments."

But the ADB's critique of Philippine development goes beyond the traditional issue of growth. Worth citing is the COS's statement that poverty alleviation is one principal concern: "It is one of the central goals for Bank operations and forms a focal point in considering any specific activity."

The COS asserts that the failure of the economy to grow on a rapid and sustained basis is the principal reason for widespread poverty. In the same breath, it says: "Poverty, and its more egregious aspects, cannot simply be ended as a result of obtaining more growth."

Further, the COS argues that "one formidable barrier to rapid, sustainable economic growth in the Philippines has resulted from the serious and ongoing degradation to the environmental resource base of the economy."

The ADB strategy also emphasizes human resource development. For instance, it expresses concern that "in both health and education there is the sense that increases in budgetary support have not been matched with better service provision, particularly for the poor."

The ADB, too, deserves credit for explaining the social dimensions of its Philippine strategy. The social dimensions cover poverty alleviation, women in development, condition of children, and land reform.

In the same vein, we must note the ADB's "specific recognition of the special role that women play in development." In the same breath, the

ADB strategy says "there are good reasons for separately considering the condition of children. These are two groups of people that should be distinguished because of special concerns not solely related to their role in the marketplace."

Undoubtedly, the ADB concerns enumerated above coincide with the progressive advocacy of NGOs. The NGOs and the ADB must consciously consolidate this area of convergence, making it a starting point to develop a broader common agenda.

A word of caution: The convergence is on a general plane. Breaking down the general principles or themes would yield a number of substantial differences between the ADB and the progressive NGOs.

### **POVERTY-GROWTH RELATIONSHIP**

Of course, we must identify the basic differences between the ADB strategy and the NGO advocacy. The expectation is to resolve these differences through sustained healthy dialogue and debate.

The first basic issue is how the ADB defines the relationship between growth and poverty reduction. The COS paper states:

Thus, although poverty reduction is a long-term goal for the Bank in the Philippines, it should not be the principal operational concern due to the worrisome economic performance and the judgement that the current potential for growth is so low. It should be emphasized that the Bank's position is not that growth will, through a "trickle-down" phenomena (sic), necessarily reduce the incidence of poverty. Rather it is a negative expression that unless there is substantial improvement in growth and the potential for growth, a focused approach toward poverty or other social issues will likely be a failure.

We can gather from the statement above that the ADB is sensitive to the ceaseless criticism that its strategy has stood for "trickle-down" growth and has glossed over poverty. The ADB is trying to say that it stresses both growth and poverty. And that the long-term struggle against poverty necessitates sustainable growth.

This is not the point of controversy. The Philippine social movement, including its left wing, has on many occasions affirmed that growth is a necessary though insufficient condition to eradicate absolute poverty.

The crux of the matter is the ADB statement that poverty reduction "should not be the principal operational concern due to the worrisome economic performance." Unfortunately, no matter how the ADB strategy

paper reformulates, and prettifies, the growth-poverty relationship, it comes out saying that poverty reduction is secondary to growth.

In the tactical sense, one can argue that growth must first pick up to effectively address the poverty problem. This, however, is only partially true. We stress that economic growth is a narrow perspective to tackle all the essential dimensions of poverty. The sharp income inequality in the Philippines, for instance, is a major cause of severe, widespread poverty.

Furthermore, as a development bank, the ADB must unequivocally assert its role in fighting poverty. This kind of role gains greater relevance, given that poverty is the main development problem in the Philippines. The ADB must likewise explicitly state the objective of promoting equity, given the highly skewed income distribution in the country.

In addition, government, the private sector, the bilateral donors, the multilateral institutions, and everyone have all formed a consensus about the imperative of economic growth. In other words, the growth strategy deeply involves quite a number of actors. It is about time for someone else, apart from the development NGOs, to take up the cudgels for the anti-poverty crusade. The ADB could have secured that niche, if not for that disgraceful statement about poverty reduction not being its "principal operational concern."

## USER FEES AND SUBSIDIES

The second basic issue pertains to the approach toward subsidies and user fees. The COS is critical of government subsidy programs and their impact. Furthermore, the ADB strategy espouses user fees to underpin its micro-policies. To quote the COS:

One important micro-policy that could have a significant aspect on resource mobilization is the adoption of user fees as an integral part of financing government operations. It is encouraging that the draft Medium Term Philippine Development Plan calls for the Government to "Adjust fees and charges in accordance with the principle of full-cost recovery." Unfortunately, there appears to be strong bureaucratic resistance to raising user charges, as well as the reform of other needed micro-policies. The concern applies to a number of different sectors including irrigation, water and electricity.

Lest our criticism be misinterpreted, we make clear that user fees be firmly applied whenever appropriate. Their application, however, is not absolute. In the context of achieving economic efficiency, full-cost recovery undeniably becomes an essential guidepost. But if the objective is, say, poverty eradication, the principle of full-cost recovery may have to take a backseat.

From a purely economic perspective, subsidies distort prices, send wrong market signals, and breed inefficiency. On the other hand, well-targeted subsidies are necessary to create substantial impact on poverty reduction and social equity.

The ADB position tends to make the coverage of user fees universal, so to speak. The problem with the ADB position is it overemphasizes the role of user fees and degrades the significance of subsidies.

For example, the intensification of user fees in irrigation is disputable. The ADB has criticized the low service fees and the high collection costs in building, operating, and maintaining national irrigation systems. Another criticism is that the subsidy for irrigation has only benefited the rich farmers and peasants. Ergo, withdraw the subsidy and increase user fees.

This, however, is simplistic. With emphasis on social dimension, we will not treat the subsidy as the problem itself. In the first place, government subsidy for agriculture is relatively low; in fact, way below the subsidy ceiling allowed by GATT-WTO rules. Moreover, financing the expansion as well as improvement of irrigation systems contributes to greater productivity and higher incomes in the agricultural sector. Be careful then not to throw the baby out with the bath water.

The bigger question is: Who benefits from the irrigation subsidy? Of course, government should use the subsidy to uplift the rural poor. The challenge is for government to put in place a well-targeted subsidy program for the poor. A well-targeted design takes into account the political economy and a firm strategy to change power relations in the countryside.

Having higher user fees for irrigation is likewise debatable. Decentralizing the system of payments is a way of improving collection fees and reducing overhead costs, thus relieving the pressure of imposing higher user fees. Decentralization, too, also creates the condition in which irrigation fees are immediately channeled to repair and maintain irrigation systems. At present, the fees collected are the main source of financing the overhead costs of a large national bureaucracy. This results in poorer collection. For the farmers now lack the incentive to pay the fees, knowing that their payments are not translated into maintaining and improving irrigation systems.

With regard to the water and electricity sectors, the COS raises a valid concern—the huge losses arising from inefficiency, theft and non-payment. Even then, the utility firms have the prime responsibility to shape

up and reduce their inefficiencies, without always passing the costs to the public. MERALCO (the private power distribution company), for example, unfairly slaps additional charges to its paying consumers to make up for "systems losses" resulting from its own inefficiency.

To pursue the debate on "full-cost recovery," the COS fails to mention the effect of user fees, specially at the grassroots level, on the health sector. A micro study (*Health and Structural Adjustment: A Case Study of Two Communities at the Barangay Level, 1995*) done by the Freedom from Debt Coalition shows that shadow user fees at the municipal level, in the form of donations or payments for medicines in short supply, discourage the people in poor communities (rural and semi-rural) from availing themselves of public health services.

Another point of debate is the issue of subsidizing the National Food Authority (NFA). The NFA is a government corporation tasked to buy and sell rice and corn to stabilize prices of these basic crops. According to the COS, the subsidies to NFA are "wasteful." The COS asserts that the NFA's trading activities "have had no appreciable impact on price stability."

Progressive NGOs in the Philippines have a different argument. While government must stamp out the corruption and inefficiency in NFA, it must likewise provide firm budgetary support for NFA so it can carry out its oversight functions. These oversight functions are particularly crucial in the areas of stockpiling and importation.

Again, the problem is not the subsidy. The issue is how to use the subsidy wisely. Instead of resorting to direct payments in procuring rice and corn, the NFA should use the subsidy to develop a system of guarantees for the stockpiling of grains at the community level.

To proceed to a related point, we need to put in context user fees as a tool for resource mobilization. Undoubtedly, the Philippine government needs to increase internal revenues. Philippine revenue collection in relation to gross economic output is the lowest in the ASEAN region. (See Annex B.)

The ADB gives special attention to user fees as a means to increase revenues. Yet, the ADB strategy glosses over the massive tax evasion problem and even fails to state the highly regressive tax system in the Philippines. The ADB strategy can only go as far as saying that "revenue collection has been a weak element in Philippine public policy in the past." The closest it can get regarding progressive taxation is to mention in a non-controversial section (Performance Review and Indicators) the maxim "that



Government policy should aim at an equitable apportionment of tax burdens.”

It seems unintelligent for the ADB strategy to highlight user fees in relation to revenue generation while it explains away regressive taxation and tax evasion.

## BANK LENDING

Cumulative ADB lending to the Philippines as of end-1994 totaled US\$ 5,199 million, covering 139 approved loans. As of end-1994, the energy sector had the biggest share of cumulative bank lending to the Philippines, equivalent to 29.2 percent of the total. The agriculture and agro-industry sector came second with a 26.8 percent share. The transport and communications and social infrastructure sectors shared the next spot, with an allocation of 14.6 percent. (See Annex C.)

In 1994, loans and technical assistance amounted to US\$ 136 million covering four projects in the transport (roads and airport development), agriculture and health sectors. In 1995, the ADB approved loans amounting to US\$ 571.90 million (US\$ 531 million from Ordinary Capital Resources and US\$ 40.9 million from the concessionary Asian Development Fund).

For 1995, energy had the biggest share of the loan portfolio (US\$ 244 million). The finance sector received US\$ 150 million. Loans approved for social infrastructure and agri-agro industry amounted to US\$ 147.90 million and US\$ 30 million, respectively.

Energy, specifically the Northern Luzon transmission and generation project, is capital-intensive, thereby eating up a chunk of the ADB loans for the Philippines. This energy loan falls under the category of “traditional growth projects.” The loan for “capital market development program” (under the rubric of finance) is likewise a traditional growth project. These two traditional growth projects accounted for 68.8 percent of total approved ADB lending for the Philippines in 1995.

Even granting the importance of said energy and finance projects, we must remind ADB of the guideline it has set for itself. That is, ADB wants to achieve a 50:50 lending mix for traditional growth projects and social-environmental projects. The ADB must see to it that its selection of loan projects is consistent with the 50:50 project mix in terms of volume and value of loans.

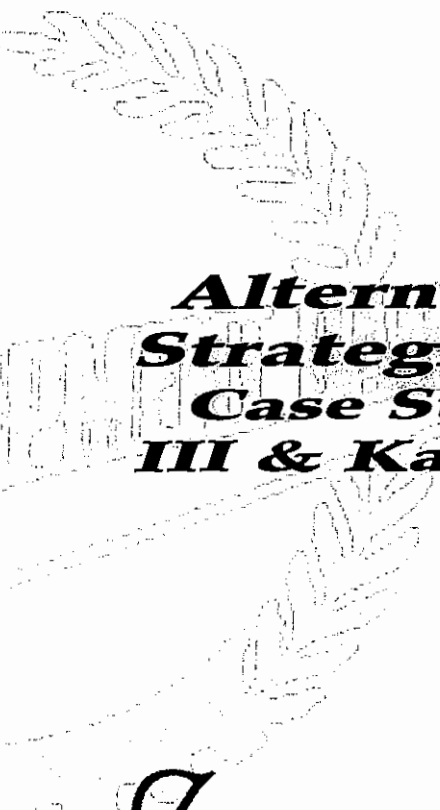
The ADB bias for traditional growth projects in the Philippines—and not poverty reduction—is unsurprising. As pointed out earlier, the COS document is candid enough to say that poverty reduction “should not be the principal operational concern due to the worrisome economic performance and the judgement that the current potential for growth is so low.”

Despite the ADB's adoption of progressive goals, a cloud of doubt—or suspicion—would continue to hang over the institution so long as its operational strategy, lending portfolio, and specific policies play less attention to poverty elimination and social equity. It is time for the ADB to give flesh to the abstract principles of reducing poverty, upholding equity and promoting sustainable development.

For us in the progressive NGO community, we must encourage the ADB to keep up its avowed commitment to social development goals. And in light of ADB's sophisticated strategy that combines growth with social concerns, we must retool ourselves to further enhance our appreciation of the dynamic relationship of growth and markets on the one hand and poverty alleviation and equity on the other hand.

A joint task for both the ADB and NGOs is to sustain the dialogue on framework, strategy and lending policies. The areas of unity and cooperation have already broadened, and this is enough basis for both ADB and the NGOs to pursue a vigorous process of dialogue and debate.





# ***Outline for Alternative Energy Strategies in Nepal: Case Studies of Arun III & Kali Gandaki 'A'***

**Gopal Siwakoti 'Chintan' &  
Arjun Kumar Karki**



## **ASE STUDY: ARUN III DAM**

### **Background**

1. Nepal's 201 Arun III Hydroelectric Project, in which the *Asian Development Bank (ADB)* and the *Government of Japan* were some of the key co-financiers, was unilaterally cancelled by the World Bank in August 1995 after the findings of the Inspection Panel on the inspection claim filed by local groups and directly affected people. Arun III was the first test case at the Panel against the Bank Management, and it was also the first victory of this kind over the World Bank. (*The basis for the Inspection Panel was provided by the Bank's withdrawal from the Narmada Dam*).

2. Nepali groups started the campaign against Arun III just before it was to be finalized in January 1994. Formation of a coalition called the Arun Concerned Group, filing of a public interest litigation in the Supreme Court on information disclosure, and public meetings in the project site were some of the initial activities.

3. The groups campaigned on different fronts such as the government and project officials, the media, the lending agencies and the bilateral investors, and the human rights forums of the United Nations, including dialogue in Nepal, at the World Bank's headquarters, and in Madrid during the 50th Anniversary of the World Bank and the International Monetary Fund.

### Issues of Concerns

1. Lack of adequate analysis of available smaller and cheaper alternatives (Arun III was going to cost over US \$1 billion, which is equivalent to more than two years of the Nepali government's annual budget.)

2. Lack of timely disclosure of relevant and critical project documents and information (Groups had to go to the Court demanding for project information.)

3. Lack of informed and meaningful participation of the local people and the concerned groups

4. Lack of Environmental Impact Assessment (EIA)

5. Lack of adequate compensation and resettlement (For example, land-to-land compensation was ignored.)

6. Lack of guarantee of the rights and interests of the local/indigenous peoples

7. Imposition of adverse lending conditionalities such as:

a. increase in electricity tariff by 83% before the completion of the project

b. construction of the project by foreign contractors and consultants

c. restriction on the construction of other hydropower projects over 10 megawatts (MW)

d. approval of annual budgets and public expenditure by the Bank

e. so-called economic reforms dictated by the Bank (For example, the macro-economic framework and the structural adjustment programme had to be satisfactory to the Bank.)

We opposed these conditionalities, for they would have destroyed the country and people forever. It was the struggle of life and death for the Nepali people.

## Alternative Approach

1. Using and enhancing existing capability
2. Building local capacity, both in public and private sectors
3. Decentralizing power production model (sharing of risks and promotion of local management and control)
4. Removing barriers to local private sector

### 5. Adopting evolutionary approach

### D. Implementation of Alternatives

1. Creation of a revolving investment fund of \$600 (\$200 million local, \$400 million international credit)

2. Establishment of a hydropower development agency, separate from Nepal Electricity Authority (NEA), to manage funds and develop hydropower

3. Modification of regulations, including a guaranteed buy-back rate set by the Tariff Commission and government to guarantee the payment of dues by NEA and periodic review of regulatory procedures

4. Inviting local commercial banks and private sectors, including citizen's bonds

5. Central funds to be primarily accessible to district hydropower projects

6. Investment of profit for education, health, roads and other development activities (which it now seeks from the central government): Teaching how to fish than giving a fish!

7. Direct benefits to the local people: road and electricity for industrialization, job creation, reduction of urban migration, poverty alleviation and equity

8. Financing alternative development programmes in the Arun Valley, including road and energy

## Process

1. Timely disclosure of all critical and relevant project documents and information, also in local languages as necessary
2. Meaningful public participation, not only consultation, throughout the project cycle
3. Mandatory environmental impact assessment and mitigation
4. Adequate compensation and resettlement
5. Protection of rights and interests of the local/indigenous peoples
6. Local people as the primary target of benefits
7. Freeing project from inappropriate lending conditionalities (such as control over tariff, cuts in social sectors, privatization of economy)
8. Strengthening and managing the national grid, distributing networks and extending rural electrification

## Present Situation

1. The World Bank and ADB are putting pressure on the government for the privatization of NEA (that is, the privatization of Nepal's power sector and water resources in the interest of foreign investment by multinationals). The World Bank is also breaking its promise to involve the public in updating the CAS (Country Assistance Strategy) and other matters relating to the energy sector development strategy.
2. The ADB and the Japanese government have recently decided to finance another mega-project called Kali Gandaki 'A' (144 MW with the cost of US \$422 million), without considering better, cheaper and locally manageable alternatives. (Kali Gandaki 'A' has many problems similar to Arun III.
3. The present Government of Nepal has not given up Arun III as a matter of prestige and credibility. However, the Bank has bluntly said that it does not want to fund Arun III even in the future. What we all need to do is to campaign for fulfilling the minimum requirements in the Arun Valley, including road, energy, and community development activities. At the same time, Nepal has agreed to build a 315 meter high dam and produce over 6,500 MW from Pancheshwor Multiple Project with India in the Nepal-

India border in the western mountain region of Nepal. (*A public interest litigation has already been filed in the Supreme Court on information disclosure and other matters*).

## CASE STUDY: KALI GANDAKI 'A'

### Background

1. Kali Gandaki 'A' hydroelectric project (144 MW) is located in the mid-western part of Nepal. After the Arun III hang-over, the debate over the proposed Kali Gandaki 'A' hydroelectricity project is gearing up rapidly. Various concerned groups and the local people are getting together to push the demand for complete transparency in the process and full accountability of the project's economic return and environmental mitigation. Unlike in Arun III, the debate around Kali Gandaki project is moving towards positive directions with extraordinary caution at all levels: the government, the lenders (Asian Development Bank and Japan) and the campaign groups.<sup>1</sup>

2. However, some government officials and their blind supporters are already fearful of any initiatives that may lead to drastic reforms on the Kali Gandaki project and that may encourage small and medium-size hydro projects in the country as the locally manageable alternatives.

3. In this light, we need to make a critical position, promote the debate, change government and donors' attitudes, and ensure the effective participation of the local people throughout the planning, implementation and maintenance of the project.

### People's Concerns

1. As a result of the Arun III experience, the donors are at least prepared to dialogue with the local people and the concerned groups with regard to the Kali Gandaki project. The concerned groups have demanded the following measures before the implementation of the project:

a) Whether all appropriate lessons learned from Arun III have been fully realized and implemented in the planning and implementation of Kali Gandaki project (e.g., development of a short-term and long-term energy sector development strategy, establishment of hydropower development fund, strengthening of Nepal Electricity Authority as an autonomous, pro-people agency to distribute electricity, electrification of rural areas, and formulating a project selection criteria) ;

b) Whether relevant and critical project information and documents have been provided to the local people and other groups in local languages



in a timely manner before public consultation meetings;

c) Whether appropriate training and employment of the local people are guaranteed in the project document;

d) Whether adequate land-to-land or cash compensation has been awarded to those who are displaced, including their rehabilitation;

e) Whether environmental mitigation measures have been adequate, including funding and institutional arrangements by involving the local people, and whether there will be provisions for compensation for environmental damages and degradation;

f) Whether all necessary efforts have been made to minimize the cost of the project by involving maximum number of Nepali human resources and raw materials; and

g) Whether the project will be free from inappropriate and destructive lending conditionalities that may have severe impacts on the macro and micro economic framework, debt burden and other problems that Nepal is currently facing.

2. In our view, the above questions should be used as the minimum framework in looking at any development project and establishing the rights and interests of the local people and the nation. We, in Nepal, pretend that we have learned so much about the negative impacts of donor-driven development priorities and techniques, including the heavy burden of foreign debt, increasing poverty, the severe gap between the rich and the poor, and the undermining of our own indigenous skills, knowledge and capacity. The time has come to really speak up for our real development with our own efforts and participation. We do not need to follow the pattern of **development colonialism**. What we have to do now is to find out what we already have and what we need more from outside (viz., development assistance and technology transfer).

3. We do hope that the government and the donors take the Kali Gandaki as a great challenge and a unique opportunity to re-establish their credibility and integrity after Arun III disaster. We further hope that our decision-makers will really learn the lessons from past experiences and do everything possible in an open manner for the development of the energy sector that we desperately need. Their failure in this regard will mean not only that they have to face the litigation before the Supreme Court of Nepal or the Inspection Functions of the Asian Development Bank but they also have to bear the consequences of a public uprising, for example, against continuous increase in electricity tariff.

## Questions Asked to the Nepali Government and the ADB

The following is the list of questions formally submitted and distributed during the Public Consultation on Kali Gandaki 'A' Project on March 26, 1996 in Kathmandu. This consultation was organized by the Nepal Electricity Authority and the Project Office and was participated in by ADB representatives.

### *Project-Related Concerns*

#### **1. Economic Affordability and Financial Plan**

- How much is the actual cost of the project?
- What efforts have been made to generate maximum capital from Nepali public and private sectors? How much capital Nepal Electricity Authority (NEA) has for investment?
- Is the economic affordability document made available to the public before the tender? If not, why? Who will be responsible for the faulty financing plan of the project if it is found at a later stage? Can they be punished for such mismanagement?
- What will be the per unit cost production of electricity? Is there a plan to raise electricity tariff before and during the construction of the project? If so, why and by how much?
- Can NEA release the complete financing plan with breakdown?
- Who are the other donors/lenders other than the ADB and the OECF (Japan's Overseas Economic Cooperation Fund)? Is the World Bank involved in the project?

#### **2. Timely Disclosure of Critical Project Information and Documents**

- When was the EIA started, and when was it completed?
- When was the first public consultation done on the project site?
- When was the first public consultation done in Kathmandu?
- What critical documents and information were made available to the local people and the concerned groups? Were they also available in local languages?
- How many public consultations were organized during the EIA and what kinds of documents and information were provided to the people and concerned groups?
- What procedures have been adopted in releasing project documents and information to the public?

#### **3. Effective Public Participation**

- Is public consultation alone (to inform the people about the project and build up their one-sided opinion in favour of the project) sufficient or

should the people have the right and opportunity to effectively participate throughout the planning, implementation and management of the project?

- What processes and methods/mechanisms have been and will be adopted in ensuring the right to effective participation in any planning and decision-making, implementation and monitoring of the project? What will be role of local village committees and the people in these areas and how will they be involved throughout the process?

#### **4. Environmental Impact Assessment and Mitigation**

- What methods were applied in undertaking the EIA?
- If the EIA has been done before the public consultations and before the availability of critical project documents and information, what is the credibility and accuracy of the EIA, including mitigation measures?
- How much fund will be allocated for environmental mitigation, and who will manage that fund?

#### **5. Land Acquisition, Compensation and Rehabilitation**

- Who decided the rate of land for land or cash compensation and/or rehabilitation of the affected people?
- Has the resettlement work (and compensation) been completed?

#### **6. Rights and Interests of the Local People**

- Are there any indigenous peoples or ethnic groups? What special policies and measures have been/will be adopted in safeguarding their indigenous rights and interests?
- How much electricity will go to the local people, and at what rate?
- Will the local people get any percentage of economic return from the project to invest in local development?
- How and where can we challenge the project manager and the contractors if they do not train and employ local people, including available experts and technicians within the country?
- How is NEA addressing the issues of energy, exploitation of local natural resources, and equity?
- What are the details of the riparian right of the water and how much flow of the water will be maintained throughout the year for ecological balance and traditional irrigation?
- Why was the project not designed to provide irrigation for neighbouring districts?

#### **7. No Harmful Lending Conditionalities**

- What will be the content and nature of the lending agreements and conditionalities?
- Will the final appraisal report and tender criteria be made public before signing any agreements?

- Who will be the consultants of the project, and what will be the difference in their salaries and other benefits compared to equally knowledgeable Nepali experts and consultants?
- Who will bear the overhead costs of the project?

### Alternative Energy Strategy Concerns

1. Are Asian Development Bank and Japan OECF (Japan) involved in Nepal's short-term and long-term energy sector development, including the proposal for the establishment of a hydropower development fund and agency? If so, how and where does the Kali Gandaki 'A' fit into this?

2. Is Kali Gandaki 'A' still the most appropriate, least cost project, or are there better small and medium-size alternatives at this stage?

3. Is there any plan for strengthening the institutional capacity of NEA as an autonomous public body with full authority in guaranteeing the buy-back rate of any power produced by private and public sectors and managing the national grid, including efficient rural electrification? If so, what is the work plan?

4. Is NEA co-ordinating with other private and public agencies in developing other forms of energy sources (e.g., solar energy)?

5. What will be the role of donors and the NEA, in light of time and resource constraints, with regard to the Pancheshwar hydroelectric plan to build a 315 meter-high dam for the generation of over 6450 MW? If none, is there co-ordination among NEA, other government ministries and the lenders/donors for the development of an efficient, affordable and sustainable energy sector for Nepal?

6. How will His Majesty's Government and NEA raise US \$120 million from local sources to finance the Kali Gandaki 'A'?

### Status of Kali Gandaki 'A'

The appraisal of the project has been completed, and the global tender has been called on March 31, 1996. With regard to documents, only three volumes of environment-related documents have been obtained so far. The dialogue with project officials and the ADB has been ongoing.

Our position is that we cannot make any final comments about the Project without going through all the project-related documents and information. What we want is a clean, clear, transparent and accountable project for the real benefits of Nepal and the Nepali people.





# ***Cooperation Between the Asian Development and Non- Governmental Organizations<sup>1</sup>***

Gordon Wilkinson

**T**he Bank's 1987 policy paper *The Bank's Cooperation with Non-Governmental Organizations* (R79-87), the Bank's first and still most current formal policy document on the subject, established a broad framework for cooperation between the Bank and NGOs and addressed a range of operational and institutional implications relating to the Bank's cooperation with NGOs. From the institutional point of view, cooperation between the Asian Development Bank and non-governmental organizations is consistent with the Bank's role and functions as set out in Article 2(I) and 2(v) of its Charter.

Since 1987, cooperation between the Bank and NGOs has expanded significantly and has related to many aspects of the Bank's operations. Over the past five years in particular, the Bank's project activities have shown steadily increasing levels of NGO involvement, with NGOs being involved in a variety of ways, at all stages of the project cycle. From previous involvement that related mostly to agriculture and rural development, NGOs are becoming involved in a number of other sectors, particularly in social infrastructure. The increasing involvement of NGOs in the Bank's policy development processes is an important aspect of Bank/NGO cooperation.

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<sup>1</sup> The views expressed in this article are those of the author and do not necessarily reflect the views of the Asian Development Bank.

The Bank's cooperation with NGOs relates primarily to NGOs engaged in development work. Among developmental NGOs are operational NGOs -- broadly, NGOs with a purpose related to socioeconomic development and environmental protection and management; and advocacy NGOs -- NGOs whose primary purposes relate more to advocating policies addressing a specific sector or concern or advocating a specific concern or point of view. The dividing line between these two classes of NGOs is not firm, and many NGOs are active in both areas.

From a functional point of view, the Bank works with NGOs on a project level, a programming level, and a policy level. At the project level, the Bank works with NGOs in the identification, design, implementation and evaluation of projects. Approaches employed in this process necessarily must be defined on a project-by-project basis and depend on specific project and country circumstances. This area of cooperation relates primarily to operational NGOs, most often those NGOs active in the local area of the particular project. While actual cooperation with NGOs in project activities varies, the Bank's project missions more and more often are seeking out NGOs in their work.

At the country level, the Bank increasingly is consulting with NGOs in the development of country-specific programs and approaches. While the formal country programming process is a process of dialogue between the Bank and its borrowing member countries, the Bank increasingly is seeking NGO input into the background work leading to this process. Again, however, country circumstances are significant in this process and degrees of NGO participation will vary significantly. In addressing and developing approaches to specific country-level development questions or operations in particular sectors, consultation and exchange with NGOs is becoming more important.

At the policy level, the Bank consults with NGOs in the development of many of its operational policies, particularly policies relating to social aspects of development and specific areas and sectors in which NGO input is particularly valuable. In recent years, NGOs have been involved in the development of policies for forestry, energy, fisheries, involuntary resettlement, indigenous peoples, confidentiality and disclosure of information, inspection function, and cooperation with NGOs. Cooperation with NGOs is an increasingly regular and important feature of the Bank's policy development process and relates to both operational and advocacy NGOs.

While significant direct involvement of NGOs in the Bank's operations is expanding, such broad involvement is a relatively recent development.

The Bank still is in a process of developing specific approaches to cooperation with NGOs and evaluating experiences. While NGO cooperation in programming and policy activities is more evident, detailed analysis of the Bank's experiences in cooperation with NGOs in project activities specifically is limited by the fact that nearly all projects with significant NGO involvement are still ongoing.

There has been a distinct evolution in the Bank's perception of cooperation with NGOs. The Bank's 1987 policy paper on cooperation with NGOs viewed NGOs largely in the somewhat limited context of the contributions they could make to Bank operations. The Bank's 1987 view of NGOs was that their special expertise and experience could be mobilized and that the complementarity between NGO assistance and Bank operations should be enhanced.

By 1992 there had been a shift in the Bank's views. For example, in addressing the Bank's cooperation with NGOs, the Bank's 1992 Annual Report reflected an expanding view of NGOs, recognizing NGOs as agents of change and as channels for the delivery of the benefits of development, complementing the efforts of governments and development institutions.

By 1995, the view had expanded even further. The Bank's 1995 publication *ADB and NGOs: Working Together* describes NGOs as viable partners in the development process, particularly in identifying and developing projects and the policy development process, and in facilitating the participation of communities in development interventions supported by the Bank. This largely is where the Bank is now, with a view to achieving even more effective cooperation with NGOs as its role and operations expand.

While the 1987 NGO policy paper remains relevant in several respects, the significant expansion and change in the developmental roles of both NGOs and the Bank makes it necessary that Bank-NGO cooperation be reviewed against the currently expanding and changing environment of development and the expansion and change that can be expected in the future.

Cooperation with NGOs has been identified specifically as an important element in the Bank operationalizing its strategic agenda. Much of the Bank's expanding developmental role and expanded operational agenda is directed toward areas in which NGOs are active and have strengths, and in which the Bank's cooperation with NGOs would enhance the impact and effectiveness of development efforts. The Bank's *Guidelines for Incorporation of Social Dimensions in Bank Operations* describes NGO cooperation as including efforts to identify and develop means to facilitate the participation of NGOs in the formulation and implementation of



development strategies and policies as well as specific development programs and projects. This view compares well with the 1987 NGO policy paper, which viewed the role of NGOs as one of contribution and complementarity in selected activities in selected sectors.

For the Bank and its operations, an expanded strategic role and agenda has been identified. While holding that economic growth remains essential to the region's development, the Bank is aware of the many socioeconomic and environmental problems that the Asian and Pacific region faces. Documents such as *The Bank's Medium-Term Strategic Framework* note that while retaining an emphasis on integrated, growth-oriented projects, the Bank also is focusing on the social sectors -- the Bank recognizes that people should be the priority in development and that economic growth should be efficient, equitable and sustainable. The Bank increasingly is playing a role as a catalyst in the development process.

On the NGO side, the NGO sector has changed significantly since 1987, in its size, orientation, and operational scope and degree of influence. NGOs have expanded the coverage of their developmental activities and have broadened their social and political consciousness. Many NGOs have developed the ability to support large-scale service delivery structures and now employ a range of innovative approaches. The advocacy role of NGOs is expanding. The numbers and coverage of NGOs coalitions and consortia also are expanding, bringing together NGOs with corresponding areas of interest and areas of operations.

In the context of the Bank's expanding role and agenda and the expansion and development that has taken place in the NGO sector over the past decade, the Bank has recognized a need to review the scope and the processes of cooperation with NGOs. There is increasing convergence in the interests and operational areas of the Bank and NGOs and new directions in cooperation are emerging. The Bank also is recognizing that it must develop the capacity to work effectively with all sectors of the NGO community, from community-level NGOs with activities that are service- and welfare-oriented, to international NGOs whose orientation is more toward advocacy.

As well, a number of important issues arise in the Bank's cooperation with NGOs. These issues are significant and affect the approaches to the Bank's cooperation with NGOs as well as the processes. Both the operational aspects of the Bank's cooperation with NGOs and the issues that arise are being addressed in the Bank's current review and revision of its policy on cooperation with NGOs.

Perhaps the most important issue in the Bank's cooperation with NGOs is the relationships that the Bank maintains with its member countries, both developed member countries and developing member countries. Member countries are the owners of the Bank and are the authority to which the Bank's management and staff ultimately are responsible. In day-to-day operations, member countries are represented by the Board of Directors.

Certainly, the most desirable situation in Bank/NGO cooperation and NGO involvement in Bank operations is three-way cooperation between the Bank, NGOs and the governments of member countries. However, the Bank's prime mandate is to work with governments in support of development programs consistent with national policies. The relationship between the Bank and NGOs in a given country is affected by relevant legislation and government policies. Direct NGO involvement in Bank operations in a given country necessarily will depend on government policies and practices. The Bank must respect the sovereignty of its member countries and cannot impose its will or views -- or the will or views of other parties -- on governments.

A parallel point to remember is that respective governments, not the Bank, are the owners of the country-level development assistance that the Bank supports. In the end, it is governments that are responsible for the substance and the implementation of development programs and projects. Again, the Bank cannot impose its will or views on governments. However, the Bank can attempt to persuade governments to move in directions the Bank considers appropriate, and can withdraw support for development efforts it considers unjustified or in conflict with its policies and practices.

One initiative on the part of the Bank toward greater NGO involvement in its operations and in national-level development efforts is to work with governments through policy dialogue and other country-level work toward recognition, understanding and fuller appreciation of NGO involvement and contribution to development, and toward creation of a more productive policy environment for NGO involvement. The Bank's technical assistance work in Bangladesh to strengthen government-NGO relationships through creation of a consultative government/NGO body and development of a framework to involve NGO directly in Bank- and other donor-sponsored activities is an example of what the Bank can do. Work the Bank now is undertaking on a regional level will address the questions of policy environment and modalities of cooperation on a country basis and across the region.

Another important point in the Bank's cooperation with NGOs that cannot be overlooked is that NGOs are not the only actors in the development process with which the Bank must work. As noted, the Bank is primarily responsible to its member countries. However, the Bank also must cooperate

with other development institutions and agencies, and with the bilateral development agencies that represent member countries. The Bank also must be responsible to the people and communities it affects. In some cases, the Bank's analysis and interpretation of the views, needs and desires of affected peoples and communities, and the appropriate development intervention to address these views, needs and desires, may be different from the analysis and interpretation of some NGOs.

A second important issue in the Bank's cooperation with NGOs is the Bank's openness to NGOs. The Bank must develop ways to identify NGOs with which active cooperation would be productive and desirable. It is a fact that the Bank's resources are limited, and that it is not possible for the Bank to maintain an active relationship with all NGOs relevant to or with an interest in the Bank's operations. As the Bank's operations expand, it will be necessary for the Bank to develop a better knowledge and understanding of the NGO sector to be able to identify those NGOs with which cooperation would be most mutually beneficial, productive and desirable.

For the Bank, especially in project-related work, identifying NGOs that are the most appropriate for a given situation and with which productive cooperation can be established can be difficult. For example, in preparing a recent project in the Philippines, an extensive process of local-level consultation was undertaken, including consultation with NGOs active in the project area. The Bank subsequently was criticized strongly by several NGOs active in the project area who had not been consulted for undertaking consultation with the "wrong" NGOs.

A third important issue in the Bank's cooperation with NGOs is establishing a process of interaction and consultation. The definition of "cooperation" is an issue. From the Bank's view, cooperation includes aspects such as dialogue, consultation, information sharing and collaboration, as well as active cooperation in specific activities. However, as was pointed in the Bank/NGO seminar at the recently completed ADB Annual Meeting in Manila, cooperation is not necessarily the same as partnership. An NGO speaker in the Bank/NGO seminar at the Auckland Annual Meeting last year described cooperation between the Bank and NGOs as "cooperation between an elephant and a mouse."

As the relationship between the Bank and NGOs develops, it is expected that approaches to more effective cooperation will emerge. It will be necessary to develop definitions and guidelines for an effective process and to identify objectives. It may be desirable to institutionalize approaches to cooperation, such as the arrangements that are made for NGO involvement and consultation in the Bank's Annual Meetings. As was pointed out from

the NGO side in the Bank/NGO seminar at the recent Annual Meeting, a process for institutionalizing and mainstreaming NGO participation and input is needed. Ineffective or ad hoc processes would marginalize NGOs.

Referring back to the issues of the Bank's openness to NGOs, in a more formal or an institutionalized process of cooperation, the Bank would have to decide how NGOs will be involved in this process. As noted earlier, it would be difficult for the Bank to cooperate actively and closely with all NGOs. A related question is how the Bank would advertise this process of cooperation to inform NGOs that a process of cooperation exists. For the Bank, parallel processes usually must be created at the project, program and policy levels, in order to completely address relevant issues and concerns. These kinds of issues illustrate the difficulty in establishing an effective, productive process of cooperation.

An important point in Bank/NGO cooperation that must be accepted is that the perceptions and evaluations will differ between Bank and the NGO community. As noted above, there will be differences in analysis and interpretation in relation to questions of development intervention. At the same time, there will be differences in evaluation of how the Bank is moving in its operations to address development needs and how it is applying its policies and procedures. The issues and concerns expressed in the letter NGO representatives presented to President Sato at the recent Annual Meeting and the Bank's response to this letter illustrates the differences that exist in perceptions and evaluations.

Another important point that affects the process of Bank/NGO cooperation is that the Bank and NGOs have different working styles. The Bank is a large institution with formal processes. Within the Bank there are a range of views, positions and issues that must be considered before an official Bank position on a given issue or question is established. The NGO community, as well, has a range of characteristics that form its working processes and styles, at the level of individual NGOs and as a collective NGO sector. Any interaction and cooperation between the Bank and NGOs necessarily will have to take place within the context of these differing working styles. Both the Bank and NGOs must recognize and accept each other's differing working styles.

As noted above, the Bank currently is in a process of reviewing and revising its policy on cooperation with NGOs. This policy review extends to cooperation with NGOs in the Bank's overall program of development assistance -- to each of the sectors and strategic areas in which the Bank works and to each level of involvement with NGOs the Bank encounters. As the Bank's overall program of assistance to developing member countries

expands and as the role and effectiveness of NGOs continue to develop, the Bank's policy on cooperation with NGOs should be revised accordingly. Closer cooperation with NGOs in the Bank's operations holds significant potential for the delivery of more effective, responsive development services for the countries of Asia and the Pacific.

The policy review under way within the Bank addresses several important areas. Within the Bank's internal environment, the review is considering the scope for greater cooperation with NGOs in specific areas of the Bank's operations. Also being considered is strengthening of the Bank's internal capacity for cooperation with NGOs. A third area being explored is expansion of the Bank's internal capacity for research and analysis related to NGO involvement in development.

In the Bank's external environment, areas being explored include expanded dialogue with NGOs in its operations. This area of review addresses questions such as developing formal or institutionalized mechanisms for consultation with NGOs. It also includes dialogue directed toward meeting criticisms raised by NGOs about the Bank's operations. A third element of review relates to dialogue with member countries with respect to NGO involvement in development activities, in activities supported by the Bank and in development in general. A fourth area is capacity building, to develop the capacities of both NGOs and developing member countries for wider and more effective involvement in development efforts.

Even before the Bank's adoption of any revised policy on cooperation with NGOs, many operational and policy adaptations necessary for effective cooperation with NGOs already are being made. These efforts are directed toward establishing and strengthening effective means for cooperation between the Bank and NGOs that would make the best possible use of the range of resources each side has to offer.







# ***Open Letter to ADB President Mitsuo Sato***

**H**on. Mitsuo Sato  
President  
Asian Development Bank  
Metro Manila, Philippines

Dear Mr. President:

We are the representatives of more than thirty (30) non-governmental organizations from twelve member countries of the Asian Development Bank (ADB) who have come together in the Third Asian NGO Regional Consultation on ADB Policies and Issues this 25 to 28 April 1996 in Quezon City, Philippines. Once again, we take stock of the progress of reforms in the ADB's policies and practices.

We recognize the public statements made by the ADB that it is adopting significant policy changes to move from traditional economic growth concerns to social and environmental issues. We regret however that our collective experiences portray a different reality. Policy statements are not met by actual implementation at both project and program level.



With the Asia-Pacific region fast becoming the global market-oriented economic growth center, the issues of social equity, ecological sustainability, participatory policy making, community cohesion and survival, and the democratization of political power will determine how more than half of the world's people will live in the 21st century. It is in this urgent light that we call to your attention these issues.

## **ASIAN DEVELOPMENT FUND**

We note that this year's Annual Meeting will discuss the seventh replenishment of the Asian Development Fund (ADF). We support replenishment of the ADF only if it is devoted primarily to rural infrastructure, primary education, preventive health care, women's empowerment, welfare of poor children, capability-building of peoples' organizations, and environmental protection. The Bank must address the specific concerns below before we support the Bank's call for additional resources.

## **INFORMATION POLICY AND PUBLIC PARTICIPATION**

The Bank has adopted a policy of information disclosure recognizing the importance of participation of local communities throughout the project cycle. Our collective experience collated in various case studies reveals that the current information strategy is inadequate and vague. It is inadequate because information reaches the communities directly affected by Bank projects only after the project design has been completed. Worse, communities are left out in the most crucial stages of country programming and project identification. It is vague because it does not mandate that the Bank take a more pro-active stand in delivering information to all the stakeholders. It instead places the burden on communities to seek out more specific information.

There are many cases that underscore the lack of sincerity in the implementation of a genuine information disclosure policy. For brevity we cite only a few. Non-governmental organizations in India have received very vague responses to their query regarding the ADB's commitment to finance power projects and offer budgetary support to Gujarat state in India. Philippine groups, after repeated requests, have yet to receive copies of documents such as the 1995 Country Assistance Plan for the Philippines.

Even the much-heralded placing of Bank information on-line at the Internet will have, at best, only marginal impact for the overwhelming majority of local communities. The technological prerequisites of going

on-line (i.e. computer, modem and phone lines) are generally non-existent in, as well as financially out of reach of, many communities in developing Asia-Pacific countries.

We have tested the information disclosure policy and found it wanting. There can be no effective and meaningful public participation in Bank-assisted projects without complete information provided in a timely and usable manner.

We demand that:

The Bank thoroughly revise its existing information policy so that it is mandated to play a more proactive role in providing critical and relevant project documents and information to communities from the time the project is conceptualized.

Information to all stakeholders be made an unequivocal prerequisite for any Bank-assisted project, and information be provided in local languages.

The Bank ensure that in all its activities, it is not only the Bank but also the Governments that encourage active participation at all levels of decision-making.

## **INVOLUNTARY RESETTLEMENT POLICY**

By adopting a Policy on Involuntary Resettlement, the Bank accepted involuntary resettlement as an inevitable consequence of development. We are totally opposed to any form of involuntary resettlement. We consider as involuntary any consent taken by force, stealth, or outright deceit. We especially deplore consent taken under conditions where the community has been made to feel that the projects were inevitable and that they were powerless to prevent.

The Bank's policy does not spell out how the Bank will address or prevent extensive dislocation of communities from their traditional homelands and sources of livelihood in the Bank-assisted projects. We are particularly concerned about the massive economic, physical and social dislocation resulting from involuntary resettlement that will occur in the Mekong basin once the Bank's plans for the Mekong Subregion are realized.

We demand that:

The Bank not finance any projects that involve any form of involuntary resettlement; the Bank operationalize its own policy of minimizing

resettlement in all projects through examining alternatives that avoid any form of resettlement.

In existing projects where resettlement has been inadequate, the Bank fully address problems of displaced peoples and communities in a fully transparent and participative manner.

## ENERGY POLICY

We welcome the Bank's statement that it will not finance nor be involved in any way with nuclear power projects in the region. We expect this policy to extend to the Bank's private sector operations.

We also welcome the Bank's public commitment to Integrated Resource Planning. However, our studies on the lending portfolio of the Bank from 1995 to 1997 show no real shift towards renewable technologies and demand-side management. Rather, the Bank is continuing to support traditional, environmentally and socially destructive energy supply projects such as coal and large-scale hydropower. The PLTA Palu III hydropower project in Central Sulawesi is an example of this. If the Bank considered social and environmental costs in the examination of power supply options, renewables and energy efficiency would prove to be cheaper and far more socially and environmentally sustainable.

The focus on privatization as the major means for ensuring the availability of energy supplies for economic growth is misplaced. This trend shows that the Bank is more concerned about meeting the demands of urban-focused macro-economic growth rather than the high demand for rural electrification. That the private sector is less accountable virtually assures this lopsided concept of economic development and the marginalization of rural communities. Furthermore, given that increase in electricity sales is needed to sustain the profits of privatized utilities, we fail to see how privatization is consistent with policies embracing energy efficiency, renewables, and integrated resource planning.

We therefore demand that:

The Bank immediately review its energy sector portfolio for 1996/97 to ensure compliance with the Bank's Energy Policy. New country programs need to be formulated, which at their core, have support for demand-side management and renewable technologies.

Technical Assistance in the energy sector support capability building of electric utilities to enable them to evaluate both supply and demand side options.

If the Bank is to offer funding for privatization, it provide assistance to governments to establish strong regulatory regimes that require privatized utilities to develop an Integrated Resource Plan for the power sector.

## DEVELOPMENTS IN THE MEKONG REGION

We are concerned about the Bank's role in proposing and catalyzing private-sector investment in the Greater Mekong Subregion. The ADB's Subregional Energy Sector Study for the Greater Mekong Subregion promotes medium-and-large-scale hydropower as the solution to the demand for energy in the Subregion. The development of decentralized energy systems has not been considered. Comparisons between the costs of constructing new power plants and transmission lines versus the cost of renewable small scale technologies have not been made.

Fifty million residents and countless river and floodplain biota of the basin depend on the Mekong's annual flood-drought cycle and all the natural functions driven by this process. Planned water resource developments threaten the integrity of this system on a grand scale. The Bank has made no attempt to assess the cumulative impacts of the proposed dams on the entire Mekong region. Furthermore, there is generally poor awareness of and lack of access to information regarding the projects in the region.

We demand that:

The ADB focus its attention on rural electrification in the Mekong Subregion, utilizing decentralized renewable technologies .

The Bank fund demand-side management and renewable energy programs in neighboring countries such as Thailand to reduce their need for expansion of power generation.

The Bank fund no portion of the "Myanmar-Thailand Gas Pipeline" or the Thanlwin Basin Hydropower Study. The Bank has a policy of no funding to Burma whilst serious human rights violations persist. However, the above-mentioned projects will offer indirect financing to Burma. The Bank instituted an immediate Basin-wide program of consultation with affected communities to determine their development priorities.

## POPULATION POLICY

Through the Population Policy, the Bank blames the poor not only for their poverty but also for unsustainable economic growth and environmental degradation. It stresses family planning as the key towards arresting rapid population growth. Bank assistance will go towards the promotion of contraceptive technology and associated services as the primary mechanisms for family planning. This perception of the population problem however merely seeks to put a band-aid on a gaping wound.

The Bank views women as abstract economic variables that can be manipulated to achieve results that will serve the Bank's industrialization view of development. The Bank should instead see its role as providing women their just due--as people comprising half of humanity.

We demand that:

Instead of depicting rapid population growth as the cause of poverty, the Bank recognize the inequity of global resource distribution as the major cause of poverty.

Poverty be reduced through financing of reproductive health care with an emphasis on public health, sanitation, safe water, nutrition, human rights and education, with family planning being only a part of it. This should involve the participation of both men and women.

## WOMEN IN DEVELOPMENT

The Bank's Policy on Women in Development seeks to integrate gender considerations into all aspects of the Bank's operations. However, as various women's groups from all over Asia and the Pacific have pointed out, the implicit premise behind such integration is that the Bank will invest in upgrading the status of women because women will be able to teach their families good grooming and healthy habits and most of all because women will have less children. This viewpoint essentially stereotypes women negatively. We also fail to see concretely how gender considerations have been integrated into the processes through which the Bank identifies, approves, implements and evaluates projects.

We demand that:

Gender integration assessments be done and made available for each project before appraisal of projects.

The Bank conduct a consultative session on the role of women and the impact of the Bank's policies and projects on women before the next Board of Governors Meeting.

## **INDIGENOUS PEOPLES AND FORESTRY POLICIES**

The Bank's Forestry Policy and the Draft Policy on Indigenous Peoples continue to show a distinct lack of appreciation of the need for recognition of the essential link between forest dwelling communities and forest land survival.

Any policy relating to forests, as well as other natural resources, must necessarily recognize indigenous natural resource management systems that have from time immemorial fulfilled the needs of communities in accordance with their own customs and traditions. This involves full recognition by the Bank of the continuing relationship between land, natural resources and indigenous peoples. The survival and viability of the lifestyles of indigenous peoples depend upon their ability to maintain the physical basis for their entire culture. Loss of their ancestral domains and the resources therein also results in the loss of such distinct lifestyles because of the pressures of assimilation into the dominant culture.

In the Philippines for example, this non-recognition by the Bank of the link between ancestral domains, indigenous peoples, and forests, can be seen in the Bank's provision of a loan to the Philippine Government, the proceeds of which will be re-lent to private sector entities that wish to establish monospecie industrial tree plantations in denuded forest areas — some of which lie within the ancestral domains of Philippine indigenous peoples.

We view the November 1995 Indigenous Peoples Forum as a constructive first step in establishing an ongoing dialogue between the Bank and the indigenous peoples of this region. We fully endorse the statements made by the indigenous peoples in that forum and look to them for leadership on these issues.

We demand that:

The Bank respond concretely to the demands made by the indigenous peoples by revising its Draft Policy on Indigenous Peoples and Forestry Policy Paper and reviewing the entire institutional framework under which these policies operate.

The Bank seriously assess how its commercially-oriented forestry programs have contributed to the further weakening of tenure of upland and

indigenous communities as well as the further degradation of these environments.

## AGRICULTURE POLICY

The Bank has not had an agricultural policy since 1983. Neither has it conducted regional agricultural surveys since 1976. Instead, it has been producing disparate policies on fisheries, water resources, and agricultural research. Furthermore, agricultural lending has declined from 30% in the 1970s-1980s to only 11% in 1992-94.

Recently funded agricultural projects in Sri Lanka, Vietnam, Kazakhstan, Kyrgyz, Tonga, Cambodia, and Indonesia (Sanggau Timber Plantation Project) show a bias for developing "competitive market-based agriculture" and commercialized plantation-based production, both of which run counter to the Bank's recent pronouncements on sustainable agriculture. We also view with concern the Bank's continuing funding support for agricultural research centers, such as the Consultative Group on International Agricultural Research, which have been promoting environmentally harmful chemical inputs and resulting in the obliteration of indigenous knowledge systems.

Given that agriculture remains the primary source of livelihood for Asian peoples and that two-thirds of the poor are in the rural areas, the above trends are cause for alarm. The situation is further aggravated by an aggressive region-wide push for industrialization that sees agriculture as a stumbling block rather than as a complementary component for overall national development.

We demand that:

The Bank participatively develop a comprehensive and holistic policy on agriculture and rural development, serving as an overarching framework for the sector and addressing sustainability and equity issues.

## FISHERIES

Several ADB-approved projects have purported to address a) poverty amongst the traditional fisherfolks and b) rehabilitation and conservation of ecosystems in coastal communities. However, the actual implementation of these projects has had negative impact for the supposed beneficiaries of the projects. In the Philippines and Indonesia, the Fisheries Sector Programs further aggravated poverty and seriously damaged fishing grounds. Instead of clarifying and simplifying policies, the Fisheries Sector Programs made the policies more contradictory and obtuse.

We demand that:

Programs and projects on fisheries principally address poverty reduction and rehabilitation of the ecosystem. All activities should respect traditional fishing rights.

Community-based resource management be a major component of any project.

## **PRIVATE SECTOR ASSISTANCE POLICY**

The Bank's Private Sector Strategy, by identifying the private sector as the main catalyst for economic development, raises serious questions regarding accountability and transparency. The Bank will prioritize direct private sector lending or equity infusion in favor of capital market and infrastructure development. The adverse effects of the Bank's lending support for the private sector have already been amply demonstrated time and again.

The recent environmental disaster in Marinduque Island in the Philippines, which has rendered its main river system virtually dead, was a result of the irresponsible actions of the Marcopper Mining Company, which was a recipient of private sector loans from the ADB in 1991-1992. In light of the Marcopper fiasco, we once again reiterate our position.

We demand that:

All Bank policies relating to social and environmental concerns, including the inspection function, information disclosure and public participation, be extended to its private sector portfolio.

Before offering any private sector assistance, the Bank ensure Governments have established appropriate regulatory regimes that require the private sector to provide genuine and meaningful community participation and to adhere to strict environmental standards.

## **INSPECTION FUNCTION**

The Bank's Inspection Function is a welcome move that nevertheless falls short of its potential. Projects that may be made subject to the Inspection Function's jurisdiction are only those within the Bank's public sector portfolio. The Bank however is putting emphasis on building up its private sector portfolio. Thus, more and more Bank-assisted projects will fall outside the Inspection Function.



The Inspection Function is further confined to requests concerning the Bank's compliance with its own operational procedures and policies. It therefore becomes meaningless to communities who are more concerned with the erosion of their rights and interests rather than the Bank's compliance with its policies.

Even with its limited scope, questions regarding the lack of independence of the Inspection Function continue to plague the policy. Unfortunately, we expect severe conflicts of interests to arise since the Inspection Function is still operationally accountable to both the Board of Directors and the Secretariat.

We demand that:

There be a revision of the concept of the Inspection Function so that it adequately provides redress to violations of rights of communities while at the same time makes it objectively possible to review and monitor the operations of the Bank at all levels.

## **SOCIAL AND ENVIRONMENTAL CLEAN UP FUND AND PROJECT QUALITY ASSESSMENTS**

Many Bank-assisted projects have in the past contributed to both social and environmental destruction of communities. Many of this impacts, whether intended or unintended, have not been remedied.

We demand that:

The Bank create a Social and Environmental Clean-up Fund. This facility would ensure adequate financial support for governments and communities in their efforts to initiate and implement environmental and social repair and rehabilitation projects. The Fund should provide grants and not loans.

The Bank set up a mechanism to ensure that projects being implemented are regularly and individually monitored on the quality of their impact on their stated objectives as well as their social and environmental track record. It goes without saying that this too should require participation by the real stakeholders.

To forestall further damage, there be a moratorium on any project that faces public opposition. No loans should be considered, approved or released until public or private sector proponents have genuinely resolved

conflicts with affected communities.

We, members of the non-governmental community of the Asia-Pacific region, strongly feel that development requires not only the meeting of basic human economic needs but also the achievement of social and political equity within the polity. True development implies genuine changes in political and economic mechanisms so as to be able to translate social goals and demands into action.

The process of change is neither easy nor straightforward. Difficult choices have to be made. To maintain the legitimacy of the political and economic order within which the Bank and its member countries operate and to ensure that both the Bank and Governments become responsive and accountable to their constituencies, the participation of the people in governance at all levels is an essential element. This cannot be denigrated to mere procedural formalities. This is beyond economic quantification.

We look forward to your response.

For greater and more meaningful freedoms,

ATHENA RONQUILLO  
Regional Energy Campaigner,  
Greenpeace International

EDUARDO TADEM  
Coordinator, Asian  
Regional Exchange for  
New Alternatives (ARENA)

FILOMENO STA. ANA III  
Asian Network on Debt and Development  
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ISAGANI SERRANO  
Coordinator, South-North Project  
Vice President, Philippine Rural  
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JOY CHAVEZ MALALUAN  
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ANTONIO B. QUIZON  
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Development (ANGOC)

VIOLETA CORRAL  
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MIRA OFRENEO  
Research Officer, ANGOC

AVIVA IMHOF  
Campaign Officer,  
Society for Environment  
and Human Development (SEHD),  
Bangladesh

PHILIP GAIN  
General Secretary,  
AID/WATCH, Australia

## Engaging the Asian Development Bank

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<b>OUK SOTHIRA</b> Program Assistant, Khmer Women's Voice Centre, Cambodia	<b>CHHITH SAM ATH</b> Program Officer, ADHOC, Cambodia
<b>P.V. RAMANA</b> Director, Action Welfare and Awakening in Rural Environment (AWARE), India	<b>ATREYEE CORDEIRO</b> Society for Participatory Research in Asia (PRIA), India
<b>SHRIPAD DHARMADHIKARY</b> Narmada Bachao Andolan (NBA), India	<b>SANDRA MONIAGA</b> Coordinator, JAPHAMA, Indonesia
<b>FRIDA RUSTIANI</b> International NGO Forum on Indonesian Development (INFID), Indonesia	<b>ARIMBI HEROEPOETRI</b> Program Manager for Environmental Law Wahana Lingkungan Hidup Indonesia (WALHI), Indonesia
<b>MARIA ANIK TUNJUNG WUSARI</b> MDB Watch, INFID, Indonesia	<b>ANDIK HARDIYANTO</b> WALHI/LBH SURABAYA, Indonesia
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<b>KYOKO IMAI</b> ODA Information Coordinator, Watch Network/Friends of the Earth, Japan	<b>AYA SAITO</b> Mekong Aid Impact Campaigner, Friends of the Earth, Japan
<b>KASUMI MAZANE</b> Survival International Network, Japan	<b>YOSHIHIKO MURATA</b> Japan's Committee on CHT Issues, Japan
<b>MIHOKO URAMOTO</b> Mekong Watch Network, Japan	<b>YUKIO TANAKA</b> CEPAT, Japan
<b>ASTER SOONG</b> Research Officer, Sahabat Alam, Malaysia	<b>GOPAL SIWAKOTI</b> Executive Director, INHURED International, Nepal

Documents; Open Letter to ADB President Mitsuo Sato

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ARJUN KUMAR KARKI Secretary General, NGO Federation of Nepal	RAVI ALGAMA Chairman, Environmental Foundation Ltd. (EFL), Sri Lanka
MARK ROY National Coalition For Socio-Economic Justice, Papua New Guinea	MARIA HAYES Melenesian Women's Alliance, Papua New Guinea
MARVIC M.V.F. LEONEN Executive Director, Legal Rights and Natural Resources Center, Inc.-Kasama sa Kalikasan (LRC-KSK/FoE.), Philippines	ANDRE' BALLESTEROS Campaign Support and Linkages, Legal Rights and Natural Resources Center, Inc.-Kasama sa Kalikasan (LRC-KSK/FoE), Philippines
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PHAM HOAI GIANG Vietnam Women's Union, Vietnam	THAN THI THIEN HUONG Oxfam UK, Vietnam
NGUYEN HUONG NGO Resource Center, Vietnam	CINDY BUHL Bank Information Centre, USA



# ***ADB President Sato's Response to the NGO-WG***

Dear XXXXX:

Thank you for the letter presented by non-governmental organization representatives at the recent ADB Annual Meeting in Manila. I wish to acknowledge the letter and the concerns raised and respond. I also wish to express appreciation for the attendance of NGO representatives at the Annual Meeting. The Annual Meeting offers an important opportunity for interaction and dialogue between NGOs and the Bank's member country representatives and management and staff. I believe this process is constructive, productive and mutually beneficial.

The current strategic development objectives of the Bank are to address social and environmental concerns in its developing member countries while helping promote economic growth. The Bank's operations emphasize the goal of sustainable development and the need to balance the objectives of economic growth with social and environmental concerns. In addition to its role in project financing, the Bank increasingly is pursuing a role as a catalyst of policy change and capacity development.

Your letter raises a number of issues relating to the Bank's operations and the way it works to fulfill its role. A particularly strong statement in your letter with which the Bank must take exception is the assertion that the Bank's policy statements are not met by actual implementation at both the project and program levels.

## ASIAN DEVELOPMENT FUND

Your letter expresses concern that ADF funds be used primarily for social and environmental concerns. In fact, this already is the case. Over the last five years, the majority of ADF financing -- 63 percent -- has been used for projects with environmental and social concerns as primary or secondary objectives.

It is the Bank's view that excessive sectoral restrictions on ADF lending would be counterproductive. Economic growth projects often have significant additional effects, particularly in poverty reduction. Further, an important function of ADF is to reduce the financial burden of external debt for poorer countries. Limiting the use of ADF resources to the sectors cited in your letter would not allow the pursuit of balanced development strategies in those countries that rely exclusively on ADF as a source of Bank development financing. At a time when development aid budgets are being severely reduced worldwide, all members of the development community must give careful consideration to all relevant development issues before withholding support for provision of resources.

## INFORMATION AND DISCLOSURE POLICY

While recognizing important practical and legal constraints, the Bank's Policy on Confidentiality and Disclosure of Information provides for the greatest possible degree of transparency and disclosure in all areas and aspects of Bank activities and operations. The policy emphasizes disclosure of information whenever such disclosure would not materially harm the interests of the Bank or its membership, borrowers, and private sector clients.

An important point regarding the information and disclosure policy is that it is a framework directing information disclosure in all aspects of the Bank's operations. The policy works without qualification on a basis of a presumption in favor of disclosure, to ensure that documents and other information on all aspects of Bank operations are available on demand.

One of the objectives of the information and disclosure policy is to ensure local participation in decision making and ownership of decisions. Information is an important part of public participation, and an important function of the information and disclosure policy is to make project-related documents available. However, the information and disclosure policy was designed to meet several other needs as well. Also, participation is addressed specifically in other policies and practices of the Bank. It would be important not to confuse the Bank's information and disclosure policy with policies

and practices related to public participation, but to recognize the overlap. It would be incorrect to regard any difficulties with application of the Bank's information and disclosure policy as a lack of the Bank's commitment to public participation.

The Bank recognizes public participation specifically as a key element in incorporating social dimensions in the Bank's operations. The Bank recently adopted a new Framework for Incorporating Participatory Development Processes into Bank Operations. In the near future, the Bank will be evaluating its experiences with participatory development processes with a view to making these processes stronger. Many Bank missions have been actively pursuing broader and more effective participation in operational work, even before new policies and guidelines were formally in place. Feedback from affected communities regarding perceived shortcomings in the Bank's participation processes would be useful in making participation efforts more effective.

Concerning information about the Bank's assistance to Gujarat State in India, the Bank regrets that the initial response was not considered adequate. As you may be aware, the Bank subsequently was very open in discussing the matter with concerned parties and addressed all questions posed. Regarding the 1995 Country Assistance Plan for the Philippines, it has been made clear to interested NGOs that under the Bank's policy, this document is regarded as an internal document and cannot be released. It should be noted that the Country Assistance Plan is summarized in the Bank's three-year rolling Country Program Notes, which is available to the public.

Providing information through the World Wide Web is only one approach to information disclosure. It is not intended to replace other approaches. The Bank recognizes that many people and many communities do not have access to electronic communication channels.

Regarding translations, as has been discussed with the NGO community, the Bank's official and working language is English. While the Bank recognizes the importance of information being available in local languages, translation of documents into local languages has not been regarded as a primary responsibility of the Bank. The Bank considers that governments must assume primary responsibility for this important aspect of participation.

The Bank disagrees that there is a lack of sincerity in the implementation of its disclosure of information. Consistently, the Bank has been willing to discuss any concern about information disclosure raised by NGOs or other members of the public. The Bank's information and disclosure policy was a topic in the Bank/NGO seminar held during the Annual Meeting.



## INVOLUNTARY RESETTLEMENT

As has been discussed with the NGO community, resettlement, especially involuntary resettlement, is a difficult issue. The Bank's policy is that involuntary resettlement should be avoided wherever feasible.

The Bank's policy on involuntary resettlement recognizes that in some cases involuntary resettlement is unavoidable and that there will be instances where a development intervention should proceed for the greater benefit of society, despite potential or real adverse effects for some people. A dam, for example, can bring electricity and irrigation and drinking water to millions of people, but may have adverse consequences for those people displaced by the dam and reservoir.

In such cases, efforts are made to minimize or mitigate adverse effects through exploration of all viable project options. If involuntary resettlement of populations is unavoidable, it is the Bank's policy that such resettlement be minimized and that displaced people receive assistance so that they will generally be at least as well off as they would have been in the absence of the project.

The Bank's involuntary resettlement policy is specific on how involuntary resettlement is approached. An initial social assessment is required for every development project to determine whether involuntary resettlement is an issue. This assessment is done very early in the project processing cycle. When population displacement is unavoidable, a detailed resettlement plan with a time-bound action plan and specific resource commitments is required. This resettlement plan includes a statement of objectives, policies and strategies and covers a range of essential elements. The initial social assessment and any resulting resettlement plan are project documents available to the public.

Any involuntary resettlement that may occur through Bank interventions in the Mekong Basin will be covered under the Bank's established social and resettlement policies. Aspects of Mekong Basin development are discussed elsewhere in this letter.

## ENERGY POLICY

The Bank appreciates recognition by NGOs of its policy of pursuing integrated resource planning, which considers environmental and social aspects, demand side management, and renewable energy options. Power utilities in developing member countries are becoming familiar with software

for modeling of these aspects and substantial progress has been made, particularly in environmental considerations.

In demand side management and renewable energy development, dialogue with developing member countries has identified specific technical, economic and institutional barriers. In addition to several technical assistance projects supporting the formulation of demand side management and renewable energy development projects, the Bank has undertaken two regional workshops to address barriers that have been encountered. The first, in September 1995, dealt with demand side management specifically. The second, held in February 1996, focused on solar power generation through photovoltaic technology. The results of this workshop have applications for the economic and institutional analysis of other renewable energy sources, such as solar thermal, wind power and small-scale hydro.

Capacity building efforts in borrowing member countries are important in demand side management efforts and in the development of renewable energy projects. The Bank now perceives greater interest on the part of borrowing member countries in both areas and has had success in incorporating specific provisions in its loan and technical assistance projects.

Your letter suggests that the Bank has focused on privatization as a major means for expanding energy supplies. A more accurate statement would be that the Bank's energy policy focuses on the role of the private sector and discusses various means for increasing private sector participation in the energy sector. Accordingly, the energy policy deals at length with the scope and enabling framework for independent power producers to provide power generation competitively. The immediate focus for publicly owned power utilities is on commercialization and corporatization. Privatization of such utilities, in whole or in part, would be a secondary objective, particularly attractive in DMCs that have well-developed capital markets. Privatization is not seen as an immediate solution for all power utilities.

Integrated resource planning nevertheless will continue, usually with an independent regulatory body to ensure quality and reliability of supply. There is no intention in this process of marginalizing rural communities. In fact, in terms of the Bank's energy policy, the provision of commercial energy sources to rural areas should be promoted whenever it is economically and financially viable and when private sector investment is not forthcoming. Where only economic viability is confirmed after factoring in all costs, provision of power for rural areas should be promoted to the extent that the utility responsible can accommodate it without adversely affecting its own overall financial viability.

## DEVELOPMENT IN THE GREATER MEKONG SUBREGION

The former centrally planned economies of the Greater Mekong Subregion -- all countries except Thailand -- have been undergoing significant reforms in recent years, creating opportunities for broader and more comprehensive regional cooperation. With the assistance of the Bank, in 1992 the six countries of the GMS entered into a program of subregional economic cooperation. The Bank's assistance is aimed at identifying programs and projects in which countries can collaborate through a subregional consultation process. The Bank has assisted and will continue to assist the subregion in determining the most feasible schemes for development.

In the energy sector, twelve priority projects have been identified -- eight in power generation and transmission, two in the hydrocarbon subsector, and two in institution building. Projects that have been identified, particularly in hydropower, will provide much-needed power for national development and reduce imports of power, and in particular will reduce reliance on generation from petroleum. Export of power will be an important source of foreign exchange earnings. In all hydropower projects supported by the Bank, environmental and social standards and safeguards are observed and enforced.

Assistance for rural electrification is being considered for Lao PDR and Vietnam under technical assistance projects. Projects being prepared will address rural electrification in Cambodia and Thailand. The viability of renewable technologies will be studied under regional technical assistance; this project will address the cumulative effects of environmental and social effects resulting from specifically hydropower development. Demand side management measures already are being implemented in Thailand through support from the Global Environmental Fund and the International Institute for Energy Conservation.

With regard to specific projects in the subregion, the Bank will not be involved in implementation of the Myanmar-Thailand Gas Pipeline project. Likewise, the Bank has no plan to pursue the Thanlwin Basin Hydropower Study.

The Bank is very much aware of the importance of consultation with affected communities. The Bank currently is preparing a regional technical assistance project to address poverty reduction in the upper watershed areas of the subregion. Components under the Xe Kong, Se San and Nam Theun basin development project specifically address the environmental and social

effects of basin development. These efforts will include close consultation with affected communities.

## POPULATION POLICY

Contrary to the suggestions in your letter, the Bank's Population Policy is grounded in respect for women's and families' reproductive rights and focuses closely on women's reproductive health. The Bank's population policy affirms reproductive rights and reproductive choices, supports the right of couples to determine their family size, and argues that the social, intellectual and economic empowerment of women in all walks of life is a key to balanced and equitable development. The policy stresses an intersectoral framework for the Bank to assist governments in educating girls and women, and providing comprehensive reproductive health care for families, with special attention to women's needs, but giving balanced attention to the accountability of men in protecting family reproductive health.

Through its focused investments in women's education and reproductive health, the Bank aims to contribute to creating increased demand for family planning services, as educated and healthy women are more likely to be economically active as well as influence decisions on the spacing of children and the ideal completed family size. However, consistent with the Bank's careful efforts to respect the decisions of couples, Bank projects emphasize "quality of care" in the provision of reproductive health and family planning services. This entails serious attention to clients' needs and a wide range of service choices.

Such an approach also is likely to reduce poverty and ignorance simultaneously, as the effect of addressing the unmet demand for education and smaller family size will be to improve the care and nurture for each child. The Bank stands by its commitment to invest in human development at all stages of the life cycle, including the reproductive years.

Population growth is neither seen as the sole cause of poverty nor as the main focus of the Bank's policy. The suggestions in your letter that the Bank "blames" the poor for their poverty or views population growth as the sole cause of poverty are not warranted. In the Bank's operations, population policy is one of a range of social dimensions through which poverty is addressed.

## WOMEN IN DEVELOPMENT

Women in development is a key social dimension of the Bank's operational program. It is the Bank's objective to promote policies and activities that help all women develop their full potential, improve their

productivity, increase their economic contribution, and share in the rewards and benefits of development as equal partners with men.

The Bank's WID policy addresses important cross-cutting issues of development and is oriented explicitly toward integrating gender considerations into all aspects of Bank operations. The Bank's policy directs that women's interests and concerns be considered in all projects and that the specific effects a project might have on women be addressed. Gender analysis is a specific component of the project development process and the Bank's policy requires that WID concerns be addressed at every step of the project processing cycle.

It is a specific objective of the Bank's WID efforts to avoid traditional gender stereotypes for women. Women's concerns are pursued in all sectors in which the Bank is involved. The Bank emphasizes projects in the social infrastructure sector -- such as health and population, education and human development, urban development and housing -- that have direct benefits for women. At the same time there is emphasis in sectors such as agriculture, rural development, microcredit and small-enterprise development on projects that create employment and income-generating opportunities for women. While it is important to address women's issues as far as project interventions may affect men and women differently, the Bank's operational strategy studies recommend the mainstreaming of women in the development process, such that the Bank's development assistance would aim at achieving gender neutrality rather than advocate separate programs for women.

The Bank is reviewing and revising its Women in Development Policy. A process for consultation is included in the policy review and revision process.

## **INDIGENOUS PEOPLES AND FORESTRY POLICIES**

It is the Bank's view that both the existing policy on forestry as well as the policy on indigenous peoples include appreciation and respect for the essential link between forest communities and forest land survival.

The Bank considers that policies on forestry development directly address the well-being of indigenous peoples. In designing forestry projects, the Bank ensures that the government/borrower has appropriate policies for effectively assisting forest-based communities, including minorities and indigenous peoples. Included in the Bank's policy on forestry development is a broad-based policy framework of which land tenure issues are a central focus. Bank-assisted projects are processed only after land tenure issues have been resolved to the Bank's satisfaction. The Bank also ensures that

appropriate institutional linkages and intersectoral coordination mechanisms are put in place. The Bank's approach is to foster long-term forestry development and stable forest-dwelling communities.

Under its forestry policy, the Bank also assists borrowing countries in the conservation of forest resources. The Bank provides assistance in protecting unique plant and animal communities, and biodiversity conservation is an integral component and criterion in siting timber concessions and in the design of forest management systems. The Bank's support for industrial plantations is restricted to rehabilitation of degraded forests and grasslands. Even in industrial plantation projects, respect for local communities and biodiversity are key concerns.

A revised draft of a formal policy paper on indigenous peoples currently is being prepared and soon will be circulated to indigenous peoples groups and NGOs for review and comment. Plans are being made for additional country-level consultations with indigenous peoples representatives. The revised draft paper now being prepared considers carefully the views expressed by indigenous peoples in the Forum on Indigenous Peoples Policies held in November 1995 as well as comments received from an earlier circulation of the draft paper to indigenous peoples groups and NGOs. The Bank, too, views consultation with indigenous peoples as an important process of dialogue, and wishes to continue the process.

## AGRICULTURE POLICY

The Bank's approaches to agriculture and rural development are based in a framework established in the 1983 policy paper "Review of the Bank's Role in Agriculture and Rural Development" as well as strategic framework papers that guide the Bank's overall operations and agriculture operations specifically. Since 1993, the Bank's agriculture and rural development efforts have been guided by a strategic framework of subsectoral policies, addressing water resources and irrigation, forestry, fisheries and coastal zone management, crops, livestock, agricultural research, rural finance and rural enterprise development. These policies identify key agricultural and rural development issues and guide the Bank's strategic responses. Contrary to the suggestion in your letter that the Bank's approach to agriculture is "disparate," the Bank has a current policy framework for agriculture that proactively provides a basis for policy dialogue and project identification in each agricultural subsector. The framework provides the comprehensive agriculture policy that your letter demands.

The reduction in the Bank's support to agriculture is a reflection of the Bank's changed strategic directions. In a refocusing of its objectives,

the Bank's operational strategy retains a concern for growth-oriented projects while also providing support for social sectors and capacity building within its developing member countries. The refocusing of the Bank's operations also includes an approach that responds to the specific development needs of individual countries. This realignment is considered appropriate in view of the changing circumstances and developmental needs and priorities in the Asian and Pacific region.

Regarding funding for agricultural research, the Bank's 1995 policy on agriculture and natural resources research is explicit in stating that research funding will be provided for topics that promote sustainability, participatory approaches and biodiversity. Regarding Bank support to the Consultative Group on International Agricultural Research, your letter overlooks CGIAR research in areas such as improved cropping, integrated pest management, biological pest and weed control, and other areas that increase food crop output while reducing the use of chemical inputs.

It might be noted that the Bank has expressed a commitment to integrated pest management as an essential component for sustainable agriculture and regards IPM as an essential component in agriculture sector operations. The *Handbook for Incorporation of IPM in Agriculture Projects* published in December 1994 outlines the Bank's approaches to IPM in its operations.

### FISHERIES POLICY

The Bank's strategy for the fisheries sector is based in the basic objectives of sustainability, in conservation and utilization of fishery and aquatic resources; equity, in balancing the interests of competing resource users; and efficiency, in the development and management of aquatic resources. The environmental guidelines of the Bank are applied rigorously in developing and implementing fisheries and aquaculture projects, with careful consideration for fishery-environment linkages. Participatory processes observed in fishery projects include the active involvement of the community and community organizations, NGOs, and affected persons. On the institutional side, emphasis is placed on creating an appropriate policy and institutional environment to ensure sustainable management of fisheries resources.

Poverty reduction and environmental protection and rehabilitation are central in the Bank's activities in the fisheries sector. Community-based resource management is central to the development of fisheries projects. Participatory approaches are being incorporated in the design and implementation of fisheries projects to ensure acceptability to target

beneficiaries. A holistic approach to the design of fisheries projects is being adopted, incorporating environmental, social and other costs and benefits not included in conventional project analysis.

The Bank disagrees with the statement in your letter that fisheries sector programs have aggravated poverty and seriously damaged fishing grounds. The Bank considers that fisheries sector programs that have been undertaken are an important first step in promoting broad beneficiary participation and sustainable management of fisheries resources.

In this context, the comment in your letter regarding the Philippine Fisheries Sector Program seems unwarranted. This program recently was evaluated by a team of consultants, whose work included consultations with NGOs and relevant central and local government officials. It generally was acknowledged that the program was successful in initiating important policy and institutional reforms. The program was considered an achievement in shifting the Government away from a previous "open access" policy to one that promotes sustainable fisheries resources management.

## PRIVATE SECTOR STRATEGY

The Bank provides its borrowing member countries an integrated package of development services. Support for private sector development is one element in the mix of development services and support for development that the Bank provides. Private sector development is regarded as an important element in the overall process of development. The Bank considers this position appropriate in the context of the current roles of government and the private sector in development in the region and the developmental needs of individual borrowing member countries.

As discussed in the section on the inspection function below, private sector operations currently are exempted from inspection. However, all Bank policies relating to environment and social concerns apply to private sector projects. In addition to evaluating the technical feasibility and financial and economic viability of a project, environmental, social and other aspects of projects are evaluated. The Bank will not approve a private sector project that does not satisfy all relevant Bank policies.

With regard to the private sector loan extended to the Marcopper Mining corporation in the Philippines, it should be noted that all environmental review procedures in place were observed in developing the project. An environmental compliance certificate from the Philippine government was obtained before the project began. It also should be noted that the Bank has taken very keen interest in the situation in the project area



after the recent accident. The Bank has been monitoring developments and has been in close contact with Marcopper and its parent corporation with regard to mitigation and compensation measures in the local area.

## INSPECTION FUNCTION

The concern in your letter regarding the focus of the Bank's inspection function on the Bank's role in development projects, and specifically on the Bank's compliance with its operational policies and procedures, is noted. However, this limitation is common to the inspection procedures that have been adopted by other multilateral development banks. Inspection procedures are not intended to address every concern that a community might have about a development project; some issues may be addressed more effectively through other channels, such as political and legal processes, or even through dialogue with the Bank. Even so, many community concerns should overlap with the purposes of the Bank's policies and procedures, especially those relating to the environment and social aspects of projects. To this extent, the Bank's inspection process may be relevant to communities affected by the Bank's operations.

Your letter correctly notes that private sector operations currently are exempted from the inspection process. However, it also should be noted that private sector operations represent a very small part of Bank operations -- less than 4 percent of the Bank's loans and investments in 1995. All but this very small portion of the Bank's projects remain within the scope of the inspection process. The possibility of extending the inspection function to private sector operations will be considered in two years.

Your concerns regarding the independence of the inspection process and the roles played by the Board of Directors and the Office of the Secretary also are noted. However, it should be recognized that none of the multilateral bank inspection processes are entirely independent. At both the World Bank and the Inter-American Development Bank, inspections are carried out under the direction of the Board of Directors. In those two institutions, independent panels assigned to carry out inspections are advisory, not adjudicative bodies. In all cases, however, the objective is the same -- to ensure fair and impartial consideration of all inspection requests. For ADB, the inspection policy includes provisions designed to avoid conflicts of interest within the inspection process.

For ADB, the Office of the Secretary was selected to provide administrative support to the inspection process largely because of its organizational distance from Bank operations. The Office of the Secretary generally functions as a liaison between the Board of Directors and the Bank's

management and staff and is not involved in operational work. It should be noted that the Office of the Secretary and the secretariat of the inspection process will not be involved in preparing the Bank's responses to complaints or requests for inspection.

Technical and procedural aspects of the inspection function are now being finalized. An informational guide to the inspection process is being prepared and will be made available to the public in the near future. This guide will address many of the technical issues about the Bank's inspection process that have been raised.

### **SOCIAL AND ENVIRONMENTAL CLEAN-UP FUND AND PROJECT QUALITY ASSESSMENTS**

The premise that many Bank-assisted projects have contributed to both social and environmental destruction of communities is a sweeping statement with which the Bank disagrees strongly. Negative social or environmental effects that may arise from Bank-supported development projects are identified in the project monitoring and project evaluation processes, and remedial measures are instituted. The Bank cannot accept the underlying assumptions in the proposal for a social and environmental clean-up fund shown in your letter.

Monitoring and evaluation are vital elements in projects the Bank supports. Projects are monitored individually on an ongoing basis to ensure that project implementation is consistent with project design. At the completion of a project, project completion evaluation reviews the implementation experience against project design. Subsequent post-evaluation processes examine the developmental impact and implementation efficiency of projects, assessing the extent to which project goals were met, and identifying any deviations from initial expectations and analyzing such deviations. Post-evaluation lessons are used to strengthen the design and implementation plan of future projects. Separate project benefit monitoring and evaluation studies review the social and economic impact of projects. Benefit monitoring and evaluation is an integral part of a management control process that works to ensure that project facilities and resources are fully utilized so that benefits of a project are maximized.

### **CONCLUSION**

The Bank agrees that the process of change is neither easy nor straightforward. Difficult choices indeed must be made. The participation of people in governance at all levels is vital, and the Bank and governments

must remain responsive and accountable. It is the Bank's intention that the development assistance it provides not be based in procedural formalities, but in deep and genuine concern for the development of Asia and the Pacific and improvement of the quality of life for all the people of the region.

I greatly appreciate the dialogue that has evolved between NGOs and the Bank. The Bank recognizes NGOs as important actors in the development process and places significant value on the input that NGOs provide. I hope we will be able to maintain and build on the consultation process that has come to exist.

Sincerely,

**Mitsuo Sato**  
**President**  
**Asian Development Bank**







# **ADB Financial Profile 1996**

**T**he Asian Development Bank was established in 1966 to help accelerate economic development in the Asian and Pacific region by providing financial and technical assistance for projects that will contribute to economic development.

## **OWNERSHIP**

As of December 31, 1995, the Bank was owned by 56 members: 19 were Organization for Economic Cooperation and Development (OECD) members and 37 were developing nations in the Asia-Pacific region. The two largest shareholders, as of 31 December 1995, were Japan and the United States, having subscribed 19.1 percent and 9.5 percent, respectively, of the total. Under the Bank's fourth general capital increase (GCI IV), which became effective on 22 May 1994, Japan subscribed to its entitlement of 276,105 shares on 30 June 1994. The United States is entitled to subscribe to the same number of shares as that of Japan but had not subscribed yet as of 31 December 1995. European member countries had together subscribed to 16.6 percent, Australia and New Zealand have together subscribed to 8.0 percent, and Canada to 6.4 percent. The developed members own 59.6 percent of the shares of the Bank and provide 57.2 percent of its professional staff.

Members with investment-grade and higher debt ratings account for 83 percent of the Bank's callable capital, the second highest among the multilateral development banks.

### **LOCATION**

The Bank is headquartered in Manila and has resident missions in Bangladesh, India, Indonesia, Nepal, and Pakistan; a regional office in Vanuatu; and a North American representative office in Washington D.C. The Bank is governed by the Agreement Establishing the Asian Development Bank (the Charter), which has the force of law in each of the Bank's 56 member countries. Under the Charter, and in accordance with the Headquarters Agreement with the Republic of the Philippines, the Bank's financial transactions are not subject to Philippine Laws, taxes, foreign exchange regulations, or other controls.

### **ORDINARY CAPITAL RESOURCES AND SPECIAL FUNDS**

In making loans, the Bank provides funds from either its ordinary capital resources (OCR), which are the main subject of this brochure, or Special Funds.

The Bank finances its OCR lending operations through borrowings, paid-in capital, retained earnings, and loan repayments. Special Funds are primarily contributed funds from member countries which are provided in turn by the Bank on concessional terms to the Bank's lesser developed member countries. Special Funds are completely segregated from the Bank's ordinary operations. Unless otherwise stated, all references in this brochure refer to the Bank's OCR operations.

### **FINANCIAL OPERATIONS**

The Bank adheres to prudent borrowing and lending practices. It maintains adequate levels of net income, liquidity, and reserves; continuously monitors the credit worthiness of its borrowers; and requires thorough technical, financial, and economic justifications for all projects for which loans are provided. The Bank, in accordance with its Charter, restricts its loans, equity investments, and guarantees to an amount not more than its paid-in and callable capital plus its ordinary reserve and surplus.

## **ORGANIZATION**

All powers of the Bank are vested in the Board of Governors, which consists of one Governor and one Alternate appointed by each member. Governors meet at least once a year.

The Bank has a resident Board of Directors at its headquarters made up of 12 members elected by the Governor. The Board provides policy guidance for the Bank's general operations. It also considers and approves all loans, guarantees, equity investments, and technical assistance grants exceeding \$600,000 as well as the Bank's annual borrowing program.

The day-to-day operations of the Bank are conducted by the President, who is also Chairman of the Board of Directors, and three Vice-Presidents. The Bank's management is supported by staff drawn from 43 countries. There are 654 professional and 1,278 supporting staff.

**Immunity from Judicial Proceedings.** The Bank is immune from every form of legal process, unless it chooses to waive such immunity, except in relation to borrowings; guarantees; and the purchase, sale, or underwriting of securities, in which cases action may be brought against the Bank in a court of competent jurisdiction.

## **TAX STATUS OF THE BANK**

The Bank's Charter states that the Bank, its assets, property, income, and operations and transactions are exempt from all taxation and from all customs duties. The Bank is also exempt from any obligation for the repayment, withholding, or collection of any tax or duty.

## **TAX STATUS OF OBLIGATIONS AND SECURITIES OF THE BANK**

Under the Charter, no member may impose any tax on the Bank's obligations a.) if such tax discriminates against such obligations solely because they are issued by the Bank; or b.) if the sole jurisdictional basis for such tax is the place or currency in which the obligations are issued, made payable, or paid, or the location of any office or place of business maintained by the Bank. The Bank is not under any obligation to withhold or pay any tax on its borrowings.



## **TRIPLE-A RATING**

Bank bonds are rated Triple-A by Moody's, Standard & Poor's, and the Japan Credit Rating Agency. The Triple-A rating reflects the Bank's very high asset quality, strong membership support, "preferred creditor status" with its borrowers, outstanding financial performance, and conservative statutory limits and financial policies.

## **CAPITAL STRUCTURE**

The capital structure of the Bank is fundamental to its strength. As of 31 December 1995, the authorized capital of the Bank was \$51,893.3 million, of which \$43,077.8 million had been subscribed by members. The subscribed capital is composed of paid-in and callable capital. The Bank's equity is made up of paid-up capital and accumulated earnings (reserves) amounting to \$9,271.6 million at 31 December 1995.

Under GCI IV, the Bank's authorized capital stock has been increased by 1,770,497 shares. Each member is entitled to subscribe to 100 percent of the number of shares previously subscribed by it, with 2 percent as paid-in shares and the remainder as callable shares. The increase includes 50,000 shares to cover subscriptions by new member countries and any special capital increases approved during the coming years. As of 31 December 1995, instruments of subscriptions representing 68.4 percent of the total subscription entitlements of the existing members had been submitted. The final date for the submission of instruments of subscription is 30 June 1996 or such later date as the Board of Directors deems appropriate.

## **LENDING OPERATIONS — OCR**

### **Lending Policies**

The Bank is authorized to make, participate in, or guarantee loans to its developing member countries or their governments, to any of their agencies or political subdivisions, and to public or private enterprises operating within such countries, as well as to international or regional entities concerned with economic development in the region.

Loans are made only for projects or programs of high developmental priority. The Bank provides financing to its borrowers to cover foreign exchange expenditures and also finances local currency expenditures in certain cases.

Currently, the Bank has three lending windows for loans from ordinary capital resources: a.) the pool-based multicurrency window, where loan disbursements are made in a variety of currencies of the Bank's choice; b.) the pool-based single currency loan window in US dollars, which the Bank commenced in July 1993; and, c.) the MBL window, which was established in December 1994. The MBL window provides single currency loans in US dollars, Japanese Yen, or Swiss Francs to private sector borrowers and government-guaranteed financial intermediaries at current terms prevailing in international financial markets. MBL borrowers have the option of having the interest rates of their loans in either fixed or floating rate terms. MBL lending to government-guaranteed financial intermediaries is limited to \$1 billion and is subject to review at the end of the first two years of its operation.

The Bank requires its borrowers to absorb exchange risks caused by fluctuations in the value of the currencies that it has disbursed. The Bank's borrowers share the exchange risk on pool-based multicurrency loans through the Bank's exchange risk pooling system, which was introduced on 1 January 1983. As a general rule, the lesser developed of the Bank's members borrow on concessional terms from the Asian Development Fund (ADF), while members with stronger economies borrow from ordinary capital resources.

The Bank's policy-based program lending is designed to provide financial resources to meet medium-term development issues as well as the traditional short-term goals of its developing member countries. The ceiling on program lending as a percentage of total lending, interpreted flexibly over a three-year moving average centered on the current year, is currently 15 percent.

The majority of Bank loans have been made to the public sector, namely, to member countries of, with the guarantee of the member government concerned, to government enterprises or other public entities. However, the Bank also maintains a lending program designed to support the private sector in developing member countries by direct lending to private enterprises and financial institutions without government guarantee. The Bank is also empowered by the Charter to make equity investments and underwrite or participate in the underwriting of securities.

The Bank is also empowered by the Charter to guarantee, as primary or secondary obligor, loans for economic development projects or programs in which the Bank also participates. The Bank may provide either partial credit guarantees, where it provides all inclusive cover for a portion of the debt service, or partial risk guarantees, where it covers specific risk events for all or part of the debt service. As of 31 December 1995, outstanding guarantees amounted to \$258.3 million.

The Bank supervises the disbursement of its loans to ensure that the proceeds are applied only against eligible expenditures as they are incurred. It generally requires that borrowers seek competitive bids from potential suppliers, that engineering plans and specifications be drawn up independently of the suppliers or manufacturer and, if appropriate, that the independent consultants be retained by the borrowers.

### Major Recipients of Loans

The Bank has made loans from OCR to nineteen of its developing country members; however, with the exception of India and the People's Republic of China, OCR loans are not normally made to countries whose GNP and ability to service foreign debt are such that they qualify for ADF loans. The Bank does not use any borrowed funds for Special Funds operations.

OCR loans are provided mainly to the more advanced developing countries in the region. Most of these countries are predominantly market-economy oriented and include four of the members of the Association of South East Asian Nations or ASEAN (Indonesia, Malaysia, Philippines, and Thailand). These countries have received about 55 percent of all loans made by the Bank from its ordinary capital resources. India and the People's Republic of China also receive OCR loans, and Indonesia, Pakistan, Philippines, and Papua New Guinea also receive bended financing, partly from OCR and partly from the ADF.

From its establishment through 31 December 1995, the Bank had approved loans aggregating \$39,194.5 million in its ordinary operations. As of 31 December 1995, the Bank's total amount of outstanding loan commitments (approved ordinary operations loans less amounts cancelled or repaid) in its ordinary operations was \$31,426.9 million.

### Types of Development Projects Financed

Bank lending is aimed at developing energy, agriculture, transport and communications, and other basic infrastructure. Projects financed by these loans are designed to give recipient countries a sounder economic base to enable them to achieve and maintain higher and sustained levels of economic growth. The Bank also finances development of financial systems in developing member countries and small and medium-scale projects, mostly in the private sector, through loans to financial intermediaries within the borrowing countries, which on-lend Bank funds for such projects.

In response to the changing needs and imperatives of the developing member countries and the international environment, the Bank also emphasizes loans to address issues of poverty reduction, improvement of the status of women, development of human resources (including population planning), and sound management of natural resources and the environment. The Bank does not provide balance-of-payments loans of the type made by IMF.

### **Maturity of OCR Loans**

Maturities of OCR loans range up to 30 years with grace periods of between two and eight years. As of 31 December 1995, the remaining average life of effective loans was 10.40 years and the maturity structure of the Bank's outstanding effective loans was as follows:

### **Special Funds**

In addition to its ordinary capital resources, the Bank is authorized by its Charter to establish and administer Special Funds, which currently consist of the Asian Development Fund (ADF), the Technical Assistance Special Fund (TASF), and the Japan Special Fund (JSF).

The ADF is designed to provide loans on concessional terms to those developing member countries with low per capita GNP and limited debt repayment capacity. The same strict standards for loan approval and administration that apply to OCR loans are applied to ADF loans. ADF loans have a nominal service charge of 1 percent per annum, and most are repayable over periods of 35-40 years including a grace period of 10 years. The resources for these loans consist mainly of contributions mobilized under periodic replenishments from developed member countries. The main beneficiaries of ADF loans have been Bangladesh, Indonesia, Myanmar, Nepal, Pakistan, Philippines, and Sri Lanka (Indonesia, Pakistan, the Philippines, and Sri Lanka also qualify for OCR loans). As of 31 December 1995, the Bank had approved ADF loans totalling \$17,492.3 million.

The TASF is an important source of grant financing for the Bank's technical assistance operations. It is also funded primarily by contributions of member countries. The Bank also allocated OCR net income totalling \$261 million from 1991 to 1994 to the TASF. Technical assistance is an important activity through which the Bank helps its developing member countries improve their capabilities to formulate, design, implement, and operate development projects. The Bank also provides technical assistance for regional studies and activities. As of 31 December 1995, total grant-financed technical assistance approved by the Bank amounted to \$1,119.3 million.

The JSF was established in 1988, under an agreement between the Bank and the Government of Japan, to help the Bank's developing member countries (DMCs) restructure their economies in the light of the changing global environment and to broaden the scope for new investments, thereby assisting the recycling of funds to DMCs. It is used to finance or cofinance technical assistance projects on a grant basis; private sector development projects through equity investment; and in special cases and on a grant basis, technical assistance components of the Bank-financed public sector development projects. As of 31 December 1995, the cumulative total contribution received from the Government of Japan for the JSF amounted to \$608.6 million equivalent.

In accordance with the Charter, the Bank's Special Funds resource must at all times be held, used, and committed separately from its ordinary capital resources.

## ADB MEMBERS (AS OF 31 DECEMBER 1995)

## Regional

Afghanistan  
 Australia\*  
 Bangladesh  
 Bhutan  
 Cambodia  
 China, People's Republic of  
 Cook Islands  
 Fiji  
 Hong Kong  
 India  
 Indonesia  
 Japan\*  
 Kazakhstan  
 Kiribati  
 Korea, Republic of  
 Kyrgyz Republic  
 Lao People's Democratic Rep.  
 Malaysia  
 Maldives  
 Marshall Islands  
 Micronesia, Federated States of  
 Mongolia  
 Myanmar  
 Nauru  
 Nepal  
 New Zealand\*  
 Pakistan  
 Papua New Guinea  
 Philippines  
 Singapore  
 Solomon Islands  
 Sri Lanka  
 Taipei, China  
 Thailand  
 Tonga  
 Tuvalu  
 Uzbekistan  
 Vanuatu  
 Vietnam  
 Western Samoa

## Nonregional

Austria\*  
 Belgium\*  
 Canada\*  
 Denmark\*  
 Finland\*  
 France\*  
 Germany\*  
 Italy\*  
 Netherlands\*  
 Norway\*  
 Spain\*  
 Sweden\*  
 Switzerland\*  
 Turkey\*  
 United Kingdom\*  
 United States\*

\*OECD





ARENA's goal is to build and sustain a community of concerned Asian scholars, intellectuals, and activists that will spearhead a process of social awakening and thereby contribute to the people's struggle for a new, just, and more humane social order.