

BANKWATCH

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ADB warned of Asia's risks without strong Safeguards

May 6, Madrid – Asia's vulnerable communities and environment will continue to be at risk if the Asian Development Bank fails to improve its existing Safeguards that are currently being revised. Further, the ADB Safeguard policies on the environment, involuntary resettlement and indigenous peoples should protect the poor and not corporate interests.

Thus warned civil society organizations from Asia, Europe and the United States during a panel discussion on the Safeguards that was attended by representatives from ADB management and Board.

Ted Downing, President of the International Network on Displacement and Resettlement, said communities that were displaced because of Bank-financed projects would be impoverished without rigorous provisions on resettlement thereby undermining the ADB's goal of poverty reduction. "We need to be aware of what will happen to the unknown and unborn who will be displaced by ADB projects without adequate safeguard policies in place," he said.

The Safeguards panel comes at a critical point in the ongoing Safeguards review process that the Bank initiated in 2005. CSOs have criticized the draft safeguard policy statement (SPS), released in 2007 which became the basis for a series of multi-stakeholder regional consultations, as generally weak and regressive. Recently, the Bank announced that a second draft of the SPS will be released for public comment and consultation.

Titi Soentoro from the Indonesian watchdog organization Nadi explained that development meant different things depending on different perspectives. She said, "The ADB and donor countries might think they are doing a service to developing countries. However, development goes

beyond economic indicators and includes protection of livelihoods and an intact environment. These could not be achieved without strong Safeguard policies in place."

Stephanie Fried from the Environmental Defense Fund called for the Bank to disclose and consult on the TOR for the next steps in the Safeguard review process. The second policy statement should be accompanied by a draft Operations Manual and its resource implications. Fried challenged the Bank to pursue "upward harmonization with best international practices, not a "race to the bottom."

Referring to the current food crisis, Joanna Levitt of the International Accountability Project observed that in many cases, ADB projects which promote industrial development have resulted in the destruction of livelihood sources, undermining the food sovereignty of affected communities.

On the other hand, Nessim Ahmad, head of ADB's Environmental and Social Safeguard Department, rejected civil society's contention that the existing Safeguard policies have been weakened by the current consultation draft. He said the many submissions made during the regional consultations included areas of agreement between the Bank and NGOs. However, he mentioned that there are still areas where the policy statement would need more work and key policy challenges, such as "free prior informed consent", on which the Bank must seek more dialogue.

Civil Society Organizations Challenged ADB's Role in Asia

by Ahmed Swapan Mahmud

Asian Development Bank's President Haruhiko Kuroda met civil society organizations during 41st annual meeting taking place in Madrid from 3rd-6th May 2008. In his speech, President reiterated ADB's long term strategy for 2020 saying economic growth, environmental sustainability growth and regional integration are core components while private sector development will be of main focus for poverty reduction.

He suggested developing countries should go for clean energy which is essentially linked with economic growth



and poverty reduction for the developing nations terming access to energy as central. Also he told to the meeting that ADB is preparing the second Safeguard Policy Statement based on feedback from the consultations while civil society organizations expressed dissatisfaction on ADB's safeguard policies and drew the loopholes of the policy to the notice.

Civil society organizations—members of the NGO Forum on ADB and Public Service International raised concerns on ADB's corporate bias provided through Long term Strategy Framework 2020.

Isagani Serrano from Philippine Rural Reconstruction told that ADB's strategy for 2020 will lead towards commercialization and privatization of basic public services while ADB already failed to reduce poverty, and caused economic and physical displacement implementing its projects and policies in Asia, he added.

ADB president agreed with a concern raised by Mishka Zaman from Bank Information Centre that there were mismanagement and misuse of funds over some technical assistance, pilot and small scale projects in Afganistan, while he left over the concerns on its fraudulence and corruption even escaped on allegations put by whistle blower.

Jessica Rosien from Oxfam Australia questioned ADB's role on the negligence of agriculture and rural development by the Bank although it emphasizes public sector development as solution of poverty that is not pragmatic. The president emphasized that privatization worked in many countries well

and thus ADB will invest 50 per cent of its fund for private sector development squeezing public sector spending.

Parvej Umar raised the abusing of child labour in Tajikistan and questioned ADB's role in cotton projects financed by ADB without consulting people that already put negative impact on livelihood. Tajikistan economic development depends on cotton while ADB is overlooking any proper measures in the sector, he added.

Titi Soentoro from Nadi, Indonesia argued ADB's lack of transparency undertaking projects ignoring people's opinion in the Ache region of Indonesia amongst people's resistance that neglected communities by and large. ADB should pay due attention to the people of the area, she mentioned.

Red Constantino of NGO Forum on the ADB expressed concerns on ADB's environmental and social safeguards which are not satisfactorily implementing while he told that it must be applied to private equity operations.

Stephanie Fried from Environmental Defence Fund demanded to disclose all information and list of projects under equity fund and also asked to make all environmental assessments public. She also criticized unprecedented delay in the vote to replenish the Asian Development Fund. Replenishment of the ADF is usually agreed months ahead of the ADB annual meeting, she added.

Financing private sector will be the core of development and poverty reduction in Asia, added president Kuroda while CSOs criticized ADB's role for violating human rights standard, creating poverty and disparity along with economic injustice.





ADB's 'climate change hypocrisy' denounced by civil society groups

5 May, Madrid — Asian environmental and human rights groups branded today the Asian Development Bank as a “leading world emitter of climate change hypocrisy” for issuing calls for clean energy investments to fight global warming while extending massive funding support for dirty mega-coal projects in Asia.¹

“Commercially viable, sustainable energy solutions are ready to be deployed in Asia yet ADB’s money is going to monstrous coal projects such as the 4,000-MW Mundra Ultra Mega coal power project of the Indian corporate giant Tata,” said Red Constantino of the bank watchdog NGO Forum on the ADB.² “The ADB is just a giant Asian smokestack spewing gigatons of climate nonsense,” Constantino said.

The ADB executed a loan agreement in April for a \$450 million loan to Coastal Gujarat Power Limited (CGPL). The CGPL consortium is a wholly owned subsidiary of Tata Power, the largest private power utility in India. Tata Power is part of the global Tata Group conglomerate, which recently acquired luxury car brand Jaguar Land Rover.

Asia’s share of global greenhouse gas emissions is anticipated to grow to 42 percent by 2030. Currently, coal produces around 42 percent of Asia’s CO₂ emissions each

year. The ADB is also gearing up to channel financing towards the expansion of biofuel alternatives, increasingly seen today as a major driver aggravating the region’s agricultural and forest crisis.

“Agrofuels are not, cannot and should not be an answer to climate change. Neither are they an answer to strategic rural development needs,” said Longgena Ginting, campaigner of Friends of the Earth-International. “Agrofuels remove land utilized for domestic food production, they promote the expansion of industrial monoculture plantations and they displace entire peasant and indigenous communities merely to provide people in industrialized countries with the illusion that they are using supposedly ‘green’ fuel for their needs,” Ginting said.

The ADB is holding its 41st annual meeting in Madrid amidst the turmoil created by climate change and the region’s food

crisis. The ADB's recently released Long-Term Strategic Framework has been criticized by both NGOs and developing country governments for its failure to prioritize sustainable agriculture development and effective climate change mitigation and adaptation measures.³

The NGO Forum on the ADB has been monitoring ADB operations since 1992. It is the largest network of civil society groups and community organizations in Asia. Friends of the Earth-International is the world's largest grassroots environmental network, uniting 70 diverse national member groups and some 5,000 local activist groups on every continent.

Endnotes

¹ <http://www.adb.org/Media/Articles/2008/12471-asian-clean-energies/default.asp>

² See: <http://www.adb.org/Media/Articles/2008/12452-indian-electricities-projects/>

³ "Food crises rises to forefront at AsDB sessions," Marwaan Macan-Markar, Interpress Service, 04 May 2008. See: <http://ipsnews.net/news.asp?idnews=42226>

Scaling up Investment for Climate change Mitigation and Adaptation

by Dana Sadykova

The meeting was opened up with presentation of a new ADB publication Development Asia, a magazine that focuses on important issues for Asia and the Pacific as it seen by ADB. The first edition covers the climate change issues.

At the panel organized in collaboration with Club de Madrid, the speakers emphasized the need for Asia and the Pacific to growth and thus need in energy, but also the fact that the region is seriously affected by climate change and at the same time is source of GHG emissions.

Rajendra Pachauri, Chair of the UN Intergovernmental Panel on Climate change (IPCC) says that there is no doubt today that human activity influences climate change and there is not only the climate change we are concerned about but also interrelated issues such as the water shortage, food security and food prices. As well as the high food prices is only the top of the ice.

The speakers believe that Multilateral Development Banks can make significant progress in climate change reduction by providing technical and financial assistance to address this issue, and that development countries in Asia and the Pacific can reduce emissions by investing to technologies, infrastructure and people and benefit from climate change reduction. According to President Kuroda this is one of the most important issues to be dealt by the international community.

"The cost of comfortable inaction is much more than action. Accurate information on climate change and related issues should be given to policy makers, so they can make decisions" said Mr.Pachauri.

"Private and public funds should spend money for clean technologies" this position was pointed at the panel, and it was claimed that ADB makes efforts to work together with other MDBs on the issue of climate change. The speakers also pointed that International Financial Institutions can do a lot in this area, especially in public sector and this will reduce many political problems the private sector has, since there is not only investments need, but also policy and regulations should be addressed.

The critical issue of biofuel as source of energy has been discussed, and that was reported by the speakers that there should be some regulations needs to be used and there should be a clear definition what lands could be used for biofuel crops.

The film explaining the benefits from solar energy in poor communities to fight the darkness was presented by Mr.Pachauri, and he commented that approach eliminating need in centralized electricity distribution is very cost benefit.

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"Our members are dedicated public sector workers committed to serving others and ending poverty. You can not have quality services or reduce poverty without good labour standards," ended Carey.

Public funds for public services and poverty reduction, not for private profit

5 May, Madrid- While welcoming some elements of the ADBs "Strategy 2020" (The Long-Term Strategic Framework for the Asian Development Bank), leaders of PSI, the global federation of unions of public employees, expressed deep concern about the bank's growing emphasis on privatization and funding of private sector operations in Asia.

At the ADB Governor's seminar on their Long Term Strategic Framework, PSI representatives pointed out that those same concerns were raised by the ADB's Chief economist, Ifzal Ali. In an interview published by the "Business Times" on 29 December, Mr. Ali stated: "ultimately, economies will operate and function properly only if there is...justice and efficient delivery of public goods and services." Yet, he warned, there is "a complete breakdown on the delivery of public services in Asia." He emphasized that this has caused a "prolonged neglect of vast swathes of society in terms of the most elementary forms of schooling, the most elementary forms of public health, the issues of lack of sanitation."

Why, asked PSI representatives at the Governor's meeting, has the bank been financing and continues to finance projects aimed at the privatization of public services? Why has the ADB decided to shift up to 50% of their funds to finance private sector operations in Asia by the year 2020?

"When there are limited resources, shouldn't the priority be to use them to strengthen critical public services, especially when those funds, provided by donor countries, come from the public sector?" asked Annie Geron, Vice-President of PSI.

"We acknowledge that the private sector generates most jobs" said Geron, who is also President of PS-LINK in the Philippines, "but it is clear that to be effective, the private sector relies on public services and infrastructure whether it is water, electricity, public education, public health systems, and a justice system that ensures the existence of clear rules and prevents corruption. ADB's priority should be to ensure adequate funding for those public services," she stated.

"Let us remember that public money, taxpayer funds, is the source of ADB funds," added Mr Katsuhiko Sato, PSI Regional Secretary for Asia.

Referring to a statement by ADB's President Kuroda on 3 May, 2008, that private sector involvement poses serious risks, Ms Geron asked "why should public institutions, funded by public money from donor countries, assume all the risks of financing private sector operations? Effective

and reliable private companies can always obtain financing from private banks and institutions. Why should public institutions shoulder the risks with our limited public funds?"

"We share the concerns expressed by the USA and the UK government that the ADB needs to improve its own governance and capacity. We are concerned that the LTSEF, Strategy 2020, which will see up to 50% of the ADB's funds channelled to the private sector, does not reflect the needs of the Asian population, in particularly those in the grip of extreme poverty," said David Carey, member of the Executive Board of PSI and member of the Australian Council of Trade Unions executive.

PSI welcomed the adoption of Core Labour Standards (CLS) by the ADB as part of its Social Protection Strategy. Those standards consist of four internationally recognized basic principles. They cover the abolition of child labour and compulsory labour, elimination of discrimination and recognition of the right of workers to organize and bargain collectively.

The ADB wrote a handbook for bank staff on the meaning of those standards.

But when asked by PSI delegates to ensure their compliance by recipients of ADB loans by adding them to their safeguard policy, President Koruda declined. PSI is not alone. On 7 April, 2008, the International Trade Union Confederation (ITUC) which represents the international labour movement, had made the same request to President Koruda.

"The ADB says it believes in the CLS, the ADB says they think they are important and the ADB says they will help reduce poverty, but it needs to take the steps to ensure compliance," said Mr. Sato.

Mr. Carey agreed. "The bank will check-up on the rights of indigenous people, they will check up on the environment, they will check up on involuntary resettlement, but will not check up on workers rights."

"This is not good enough," said Carey. "ADB senior officials said they won't put important international workers rights protections (CLS) on the list of things they want to check up upon, when they give money to governments for development."

"Sure, they have written a labour standards handbook for ADB staff, and that's fine, but there is still a big hole in the ADB resources by leaving out those 'standards' on the deal for safeguards policy."

"You really need specialist staff to look after this, and you need to let the countries know you will be checking up on their contracts for projects," said Carey emphatically.

PSI leaders reiterated their commitment to continue to engage with the ADB to support all efforts to protect labour standard, deliver universal quality public services and reduce poverty.

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