

---

**PART SIX**

**ADB's INVOLVEMENT IN DAM-BUILDING:  
PAST, PRESENT AND BEYOND**

---



## A. FROM IRRIGATION TO POWER GENERATION SAME DESTRUCTION

The sharp upsurge of dams in the 1950s and onward is associated with the world's growing population (food production, water supply) and industrial expansion (energy generation) (**Figure 5**). The peak of dam-building in the 1970s was a response from capitalist establishment rocked by the 1973 oil shock<sup>97</sup>. This oil crisis situation influences ADB's First Energy Policy until the early eighties.<sup>98</sup> Though there was a slow down in dam-building in the 1980s-1990s periods, the number is not comparable to 1900-1940s very low dam-building activities. Dam-building will continue. "As the world population continues to grow at the rate of over 100 million people each year, so does the demand for water," according to the International Commission on Large Dams (ICOLD). For the ICOLD, "one of the most efficient ways to manage water resources for human needs is by the construction of dams that create reservoirs for the storage and future distribution."

While some rivers are dammed enough, dam-builder and its financiers are eyeing other rivers. The rivers of Mekong<sup>99</sup> and South Asian regions are candidates for further damming.

**Part Four** and **Part Four-02** of this guidebook clearly enumerate and discuss negative impacts of large dams to people and environment. Large dams are not competitive, according to Grainne Ryder (Probe International) and uneconomic, as what Patrick McCully (International River Network) said. Costs and risks in constructing dams are very high and cost over-runs are also high. The scientific community, the dam and hydro industry and the WCD acknowledge these.

But financiers and dam-builders, using water crisis, scarcity and expanding demand, continue to praise dams because governments are providing special subsidies to commercial investors, monopolies and the socialization of private risk for them to put their money into large hydropower projects. ADB and the World Bank, financiers of hydroprojects, knew all of these.

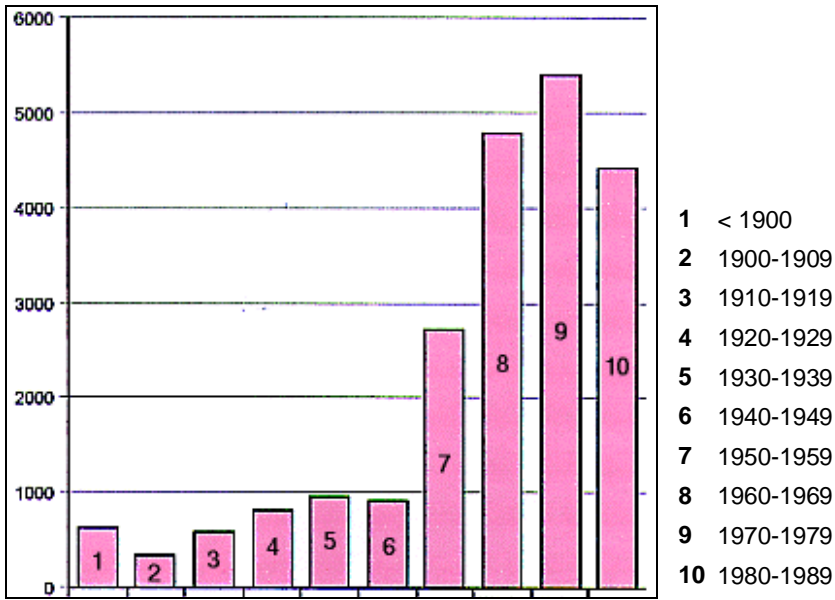
---

<sup>97</sup> The **oil shock** (also known as the **1973 oil crisis**) started when Arab members of the Organization of Petroleum Exporting Countries (OPEC), during the Yom Kippur War, stopped shipping petroleum to countries (United States and its allies in Western Europe) supporting Israel. The crisis occurred when they quadruple their petroleum prices. **Yom Kippur War** (known as the **1973 Arab-Israeli War**) was fought from October 6 (the day of Yom Kippur, a Jewish holiday) to October 24, 1973, between Israel and Egypt-Syria coalition.

<sup>98</sup> The Second Energy Policy emphasized the infrastructure-related projects in the energy sector, and the Bank's promotion of private sector participation in the sector. This policy was carried until the Energy 2001, the latest ADB Energy Policy.

<sup>99</sup> ADB-financed studies have identified the potential for over 50 large dams on the Mekong River and its tributaries (IRN).

Figure 5: Trends in Dam-building, 1900 – 1980s



Source: International Commission on Large Dams (ICOLD)

Grainne Ryder concluded that “big hydro dams continue to be built whenever dam proponents have access to the deep pockets of taxpayers. Without taxpayers to subsidize the capital costs of big dams, without taxpayers to internalize private sector risk, without monopolies to keep competitors out, without public oversight, without market discipline, and without the power to expropriate riverine communities’ resources with impunity, few, if any, big hydro dams would be under construction today.”

WCD found that large dams have been a longtime favorite of politicians, government officials, dam-building companies and development banks. They have provided opportunities for corruption and favoritism and have skewed decision-making away from cheaper and more effective options.

## B. ADB’s MISCONDUCT AND NEGLIGENCE IN DAM-BUILDING

ADB’s involvement in dam-building in Asia and Pacific is tainted with misconduct and negligence. These attitudes were best described by the International River Network’s summary of ADB’s involvement in dam-building in Mekong Region. In the said article (**ADB’s Dam-Building Record “Seriously Deficient”**), the following glaring and blatant negligence were noted, “that the Asian Development Bank:

1. Is **failing to adhere to its own policies** in the Mekong region, particularly those on energy, public participation and consultation;
2. Is **subsidizing private companies vying to build dams** in the region as hydropower projects are uneconomic for the private sector without public assistance;
3. Has **failed to recognize the impacts of dams** on the rivers, fisheries, forests and livelihoods of local communities, and has failed to provide adequate compensation for those affected;
4. Has **used consultants to conduct feasibility studies, environmental impact assessments and basin studies** and the findings of these studies consistently **exaggerate the benefits of dams and downplay their costs**; and
5. Has **failed to respond adequately to criticisms** of its dam projects and continues to downplay their impacts.

*(Please refer to Parts Four and Four-Zero Two of this guidebook for an in-depth discussion on the aforementioned. )*

## **C. WHAT ADB PRONOUNCED ON THE AIR IS OPPOSITE ON THE GROUND**

ADB is good only in pronouncements and rhetorics. In President Mitsuo Sato<sup>100</sup> inaugural speech he made mention about **stakeholders partnership** in addressing water issues. “In order for the Bank’s (ADB) support to be most relevant and effective in our DMC’s, the policy review and the strategy-setting have to adopt a **consultative approach**, involving not only the Bank staff but also the DMC’s policy makers; not only the technical experts but also NGOs, private sector and **all other stakeholders**.”

In September 6, 2005, more than ten years later, in a press briefing in Pakistan, the new ADB President, Haruhiko Kuroda, said that “we (ADB) are hopeful that big dams will be initiated after a **consensus** is developed.” What Kuroda meant was that ADB is ready to finance constructions of major dams in Pakistan, provided that, the provinces can reach **agreement** on them and the ADB’s policies on environmental protection and displacement of populations are followed. Good public relations projection, but expect the opposite outcome.

But despite ADB’s claims (i.e. praises of consensus, consultation, environment protection, and other development jargons, the realities of displacement and environmental degradation are still happening. Without a doubt, these recurring problems are rooted in the nascent stages of any ADB-funded infrastructure projects, particularly in the conceptualization phase.

---

<sup>100</sup>Mr. Mitsuo Sato served as ADB’s President from 1993 to 1999, steering the Bank through one of Asia’s most challenging periods, following the onset of the Asian financial crisis in 1997.

In the conceptualizing phase of any projects, the people and institutions involved failed to consider, if not totally and deliberately excluded; potential and directly affected people. In **Part Four-02** of this Guidebook, three sample cases (Theun-Hinboun, Nam Leuk and Kali Gandaki dams) were presented. These three cases ascertain very common issues and controversies relating to consultations:

ADB approves the WCD New Decision-Making Framework, its Seven Strategic Priority, except some of the 26 Guidelines and Criteria for Good Practices. One crucial guideline—the free, prior and informed consent, ADB is neither conforming nor currently conforming). ADB left this to the borrower-government, as project owner, to comply with. What follows are bogus, selective and questionable consultations. The other two important guidelines where ADB does not conform are the following: (1) ensuring operating rules reflect social and environmental concerns, and (2) improving reservoir operation. ADB only considers these after loan completion, unless it is stipulated in the loan agreement.

WCD recommended new guidelines on decision-making before stepping into a dam-project. But the ADB, out of 26 WCD Guidelines and Criteria for Good Practices, conforms with the 17, partially conforms with three (3), and not “currently” conforming with six (6) as they are not incorporated in ADB Guidelines and/or not in accordance with DMC policy and/or practice (**see Part Three of the Guidebook**).

### **D. ADB IS PREPARING THE GROUNDWORK FOR ANOTHER DAM-BUILDING**

The Asian Development Bank (ADB) will continue to fund dams (large or small) in the future, regardless of WCD guidelines and the Bank’s own policies. In one of the Bank’s documents, it declared that “in line with its energy sector policy, ADB will continue to extend its support for technically and economically feasible hydropower projects that form part of a country’s least-cost energy development plan, provided their environmental (including impact on fisheries) and social effects can be satisfactorily managed in accordance with ADB policies.”

In accordance with ADB policies, the move of ADB in amending paragraph 32 of its 2001 Water Policy — by loosening and weakening it, is an indicator that the Bank will step into large dam projects (**see Part Three of the Guidebook**).

The second move of ADB (following the World Bank’s decision) in supporting Nam Theun 2 Hydropower Project in Laos, despite oppositions from environmentalists and NGOs, was a clear indicator and a loud message that ADB will be involved in future dam-building. Nam Theun 2 project failed to comply with the six out of seven Strategic Priorities of WCD, according to Aviva Imhof (International River Network). ADB President's recent visit to Pakistan was an opportune time for him to make an announcement to the public that ADB will fund dam-building in Pakistan as long as there is a consensus.

## **E. NEW "HIGH-RISK, HIGH-REWARD" STRATEGY FOR DAM-BUILDING?**

Will ADB follow the World Bank's new approach? In February 2003, after a decade-long of turning away from risky projects, World Bank re-embarked on what is called a "high-risk, high-reward" strategy or approach to projects in the water sector. And this strategy explicitly called for an increased investment in dams. In March 31, 2005, the World Bank approved and supported the risky US\$1.3-billion Nam Theun 2 Hydropower dam project in Laos. On April 4 of the same year, ADB followed suit. Do these approvals signal the application of "High-Risk, High-Reward" strategy of two giant banks?

Critics said that borrower-governments and its taxpayers would be the victims of this strategy. Implementing safeguard policies (environmental protection, resettlement, mitigation, and others) and other standards will push the cost of the project upward. On the other hand, this promises high rewards for investors, but at the expense of borrower-government, its taxpayers and electricity consumers. This makes doing business with ADB costlier.

## **F. IT'S THE PEOPLE'S MOVEMENT, NOT THE BANK'S AMBIGUOUS SAFEGUARD POLICIES**

The emergence of people opposing to dams is not parallel to the history of dam-building. The first recorded anti-dam activity by a person came later, in 17<sup>th</sup> century, by a Scottish fisherfolk trying to destroy the newly-completed weir (a small dam). In the 1910s, a so-called conservationist, John Muir, unsuccessfully lobbied public opinion and the US Congress against the building of O'Shaughnessy dam in Yosemite National Park in California.

As dam-building accelerated after the 1950s, opposition to dams became more widespread, vocal and organized. Conservationists in northern countries, especially in the United States, led the first notable successes for campaigns against large dams. These conservationists were able to stop the 175 meter-high Echo Park dam on a tributary of the Colorado River in the 1950s and two dams planned for the main stem of the Colorado River in the Grand Canyon in the following decade. In 1973-77, the resistance of indigenous peoples of Cordillera to four dams along the Chico River in Cordillera, Philippines, led the World Bank to withdraw from the project and resulted in the government postponing it indefinitely. This indigenous people's victory costs the life of its own leader, Mac-Liing Dulag.

The influence of the anti-dam movement has been increasing. In India, jailed activists have gone on hunger strike to protest against the displacement of large numbers of villagers by the series of dams along the Narmada Valley. The protests have reached an international audience, credited largely to the eloquence of Arundhati Roy, the Booker Prize-winning author who has campaigned fervently on behalf of the villagers.







The Ilisu dam in Turkey has also elicited international reaction, as well as highlighted the impact on the Kurdish people whose villages and towns imminently, would be flooded. Campaigners argue it could potentially trigger a war with Syria and Iraq by damaging potable

water supplies and the livelihoods of local farmers. Industrialists and financiers cannot ignore this debate.

In the end, it is the strong people's movement that will serve as a deterrent to any socially- and environmentally- destructive dams, and not the Bank's ambiguous safeguard policies.

---

**References:**

-  International Commission on Large Dams. "Benefits and Concerns About Dams." Pamphlet. (July 1999)
-  International River Network. "**ADB's Dam-Building Record 'Seriously Deficient'**"
-  McCully, Patrick. Expensive and Dirty Power: Why Dams are Uneconomic and not Part of the Solution to Global Warming.
-  Mustafa, Khalid. "ADB will fund dams if provinces reach consensus." (September 7, 2005) [http://www.dailytimes.com.pk/default.asp?page=story\\_7-9-2005\\_pg7\\_56](http://www.dailytimes.com.pk/default.asp?page=story_7-9-2005_pg7_56)
-  Ryder, Gráinne. "Are large hydro dams competitive?" Workshop on the Changing Face of Electricity Markets in the Mekong River Basin hosted by WWF Indochina and the Mekong River Commission Phnom Penh, Cambodia. (January 28, 2003)
-  Sayboulaven, Phetsavanh. "The Forgotten Victims of the Nam Leuk Dam in Laos: Summary of Fact-Finding Trip to Affected Villages. (2004)