

## ADB's BUSINESS OF DEVELOPMENT



*SAVE THE CLIMATE. Greenpeace balloon flies over Mae Moh coal-fired power plant in Lampang, Thailand. Mae Moh Power Plant releases around 1.6 million tons of sulfur gas everyday and more than four million tons of carbon dioxide emission in the atmosphere annually. Around 200 have died due to lung cancer and respiratory diseases since it started operation. (Photo by Greenpeace/Unanongrak)*

Since the establishment of the Asian Development Bank (ADB) in the late 1960s, it has played a major role in the energy sector development among its developing member countries. The Bank views energy as a focal point to economic growth and poverty reduction. It is within this purview that the Bank, over the years, has significantly poured its resources in this sector, to wit:

- ADB's average annual lending in the energy sector increased from US\$0.5 billion in the early 1980s to US\$1.7 billion in the early 1990s;
- Funding for energy sector development has averaged over US\$330 million per since 1989 implementing ADB's Energy Policy for more sector reform; and
- Between 1969 and 2006, the Bank has been extending a total of US\$24.2 billion energy-related assistance and projects to its developing member countries. Of this total amount, US\$21.9 billion are project loans targeting additional power generation capacity, and improvement of power transmission and distribution.
- It has been estimated that in 2001, 1.1 billion people had consumption levels below US\$1 a day, and 2.7 billion lived on US\$2 a day;
- Some 1.6 billion people in the world, more than a quarter of humanity, have no access to electricity and 2.4 billion people rely on wood, charcoal or dung as their primary source of energy for cooking and heating;
- Fifty million people globally may be displaced due to climate change-induced famine; and
- According to the insurance industry, there is a 45% increase in previously unexpected insured losses due to changes in the physical characteristics of extreme weather events alone. It was estimated that, in 2005, insured losses from weather-related events amounted to \$80 billion. Climate change-related damages could reach \$150 billion annually.

After almost three decades though of seeking pathways to development, the world has found itself in a situation no better than in late 1960s, when first attempts to development were made in advancing economic growth and addressing poverty. In the global context, figures are particularly troubling as evidenced by the following cases:

Now, parallel to the affluence of the First World countries, exists the equally unprecedented poverty of the rest of the world

along with the ominous threat of global environmental degradation and poverty escalation.

The situation in the backyard of ADB-funded energy projects also reflects the macro social, economic and environmental context, as exemplified in the following cases:

- The ADB-assisted coal plant in Mae Moh, Thailand is one of the most serious health disasters in Thailand's history. Since coal is the most carbon-intensive of all fossil fuels, it is polluting and destructive. Close to 42,000 people suffer respiratory-related illnesses and skin diseases;
- The Nam Theun-Hinboun dam in Laos affected around 25,000 people or more than 3,000 families in at least 61 villages, mostly subsistence farmers, due to flooding, loss of drinking water sources, riverbank erosion and downstream sedimentation; and
- It is estimated that more than 9,500 people suffered from the Nam Leuk hydropower dam in Laos. The Project has affected the livelihood of thousands of villagers because of the resultant decline in fisheries and water quality and quantity.

These facts and figures imply one thing - that there is an apparent two-fold crisis of poverty and environmental degradation. The four-decade-old Bank has to undertake an in-depth review of the relevance and future direction of its policy on energy. If the results of its development efforts since the 1960s up to the present have not been sustainable and inclusive, what can it do then in the face of such situation? Where does the roadblock to implementation lie?

While the Bank recognizes that "*Energy is central to sustainable development and poverty reduction efforts.... Energy for sustainable development supports the achievement of the MDGs, especially the target to reduce by half the proportion of people living in poverty by 2015*"<sup>2</sup>, the Bank has to adapt to the changing context and its operations must be guided by development-oriented goals that put high premium on social and environmental considerations rather than purely technical concerns. Targets should be based on sound



*LET'S GO FOR RENEWABLES! Dan Nan wind farm in Nan'ao, Guangdong Province is one of the best wind resources in China. Guang Dong Province is already home to several industrial scale wind farms. With its investment in wind power, China would overcome its reliance on climate-destroying fossil fuel power and solve its energy supply problem. (Photo by Greenpeace/Xuan Canxiong)*

strategies, which in turn should be based on a comprehensive analysis of the context from which the MDGs are derived.

The Bank need not look farther because out of these global context and realities and experiences on the ground emerges a viable approach to development. An approach that would address both poverty reduction and environment protection with the following guiding principles:

### ***Sustainability (Project Effectiveness and Efficiency)***

In keeping with the objective (and as one of the operational priorities) of reducing poverty by creating infrastructure for sustainable development; increasing access of poor people to energy (particularly in the rural areas); and making sure that the majority of the poor will benefit from ADB's energy project, the Bank should lay down the prerequisites to realize these targets. *Are the targets based on a comprehensive analysis of the situation? Are the necessary task requirements to meet the objectives clearly identified and well-placed? What are the objectively verifiable indicators and means of verification on the ground to ascertain any headway? Are the monitoring and evaluation mechanisms thought out?*

The objective of reducing poverty is an enormous task that would necessitate long-term, collaborative and synergistic approach. Not a quick-fix solution or a hole-and-corner method. If the Bank is truly determined to pursue this objective, then its policies should be moving towards this direction (e.g. making a dent in reducing the incidence of poverty, addressing threat of climate change) otherwise, the pursuit of development is merely an artificial construct.

On a similar note, the concept of development is not detached from the environment because one of the vital inputs that fuels economic growth is the efficient use of energy sources. Part of the learning curve (specifically on Environmental Safeguards) in the ADB-funded projects is that “the quality of environmental assessments was found to be inconsistent and often did not reflect current international good practice”<sup>3</sup>. Lessons from experiences on the ground, in effect, validate that the Bank has to recognize the urgency to shift to clean energy and energy efficient solutions pathways — both for preventing climate change and for developing energy independence. There are available alternatives (renewable energy such as wind, solar and biomass) waiting to be tapped.

### ***Inclusiveness (Reach and Depth of Participation)***

With the growing demand for accountability, it's about time (or perhaps long overdue) that the Bank recognizes the value of participation. Espoused by civil society organizations, meaningful participation, in essence, upholds the protection and promotion of human rights of project-affected people. The World Commission on Dams has a similar take on this when it made known and concluded that “a rights-centered approach, based on negotiated settlements and securing broad community support and FPIC, was the most effective way of achieving long-term sustainable development outcomes”.

The ADB's safeguards policy is an attempt to put some semblance in its intention to mitigate the imminent effects of Bank-financed projects. It seems that the Safeguards remain largely unknown, much less discussed especially among the project-affected people. Thus, the question remains, is the Bank bent on enforcing this? Or is it a matter of form – a procedure that has to be complied with which would appease the communities affected by the project? The Bank can build on lessons learned on the ground. For participation to be meaningful, then it has to be institutionalized in the project life cycle.

There is an on-going review of the 2000 Energy Policy. It is hoped that if the Bank is true to its commitment of recognizing the environmental impact of energy production and use, and the changing needs of the sector, then, this is an opportune time to factor in the significant changes and trends due to the influx of assistance from the Bank.

Also, the second phase of the Energy Efficiency Initiative (EEI) is nearing completion and the third phase is targeted for implementation in 2008-2010. Essentially, the EEI is a blueprint of ADB's clean energy strategy and action plan. Again, if the Bank is committed to ensuring that its energy projects do not harm the communities and the environment, then its operations would speak for itself.

Mankind has probably conquered the last remaining frontier aeons ago. Technology has been surpassing itself with each passing moment, yet, economically, the number of poor is estimated to constitute a large percentage of the burgeoning global population, apart from the ominous threat of global climate change. In the end, what will truly matter is going back to the original and purest intent of development — of making basic needs accessible in sufficient level to the poor and marginalized.

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