

# INTRODUCTION TO THE ADB TOOLKITS

## *Why should we care about the ADB?*

### **Purpose of the Toolkits**

The ADB Toolkits series is intended to help those unfamiliar with the Asian Development Bank to gain an understanding of the institution, the work it does, and why it is important for civil society groups to be aware of its operations. The Toolkits provide an introduction to the ADB, including information about the ADB's structure, the types of services it provides to developing and transitional country governments in Asia and the Pacific, the kinds of projects and programs it funds, and the support it provides to private sector companies investing in the region. For those monitoring or interested in learning more about ADB activities in their own country, the toolkits explain what resources are available about this institution and provide guidance on how to get and make use of this information.

The Toolkits series also serves as a resource for activists who are already involved in monitoring ADB operations. The Toolkits include information that will assist activists in their advocacy and lobbying of the institution, including a breakdown of the ADB's policy framework, guidance on how to make use of the ADB's new accountability mechanism, and opportunities for lobbying ADB Board of Directors and Management.

Finally, the material contained in the Toolkits can be adapted into workshop or curriculum material to be used as part of trainings on the ADB for those new to the ADB campaign. These trainings can be tailored to the specific needs of a community challenging a particular ADB financed operation, or can be structured broadly for more general activist audiences at national or regional level gatherings. The Toolkits can also serve as a general reference guide on the ADB for new and continuing activists.

### **Why should we be concerned about the ADB?**

Multilateral Development Banks (MDBs) are the largest source of development finance in the world, typically lending between US\$30-\$40 billion to low and middle income countries in any given year. The ADB provides billions of US dollars in loans<sup>1</sup> to its Developing Member Countries (DMCs). This allows it to have enormous influence over its DMCs' development objectives. In some cases the ADB may actually have more influence over developing country budgets and operations than a country's own elected officials. The vast majority of the funding provided is in the form of loans. DMCs, and thereby their citizens, are required to pay back this money, regardless of whether the projects are successful or not. At times, not only are the projects unsuccessful, but local communities are left to face new challenges from harm caused by projects and citizens face an increased debt burden.

The MDBs are also a primary source of development 'knowledge' and policies. With large volumes of finance coupled with policy advice, MDBs are central in determining the direction of national level development policy. In addition, MDBs also perform a significant leveraging role, in part precisely because they have a development mandate, which makes them by far the largest source of development finance in the world. The MDBs are also the dominant standard-setters in international finance and investment. Their environmental and social policies, for example, are the single set of standards most followed by other financial institutions. Many Export Credit Agencies, commercial banks and private companies explicitly follow MDB standards as their own bench-

mark (in part hoping thereby to avoid international criticism). Sustainable development reform efforts targeted at the MDBs thus have a substantial multiplier effect across other development and commercial institutions.

For the Asia-Pacific region, the ADB is the third largest donor (after the Japanese government and the World Bank) lending approximately **\$5 to \$6 billion a year** to its developing member countries. The ADB is increasingly focused on financing private sector operations, supporting structural adjustment programs prescribed by the IMF, and implementing global trade rules. It is startling to note that this agenda is implemented by an institution which is plagued by an inadequate governance structure, using a weak safeguard policy framework, and extending loans to governments that are mostly unaccountable to their citizens. The ADB is able to do this by keeping a low profile and escaping public scrutiny. While the international movement monitoring the international financial institutions has been successful in forcing the MDBs - particularly the World Bank - to increase democratic spaces for citizens and to adopt a framework of policies that protect the environment and promote sustainable development, the **ADB has not featured prominently in this reform agenda.**

It is imperative that Asian civil society focus its attention on the ADB. Having assumed for itself a role as promoter of regional cooperation through its Regional

Cooperation Strategies, the ADB is shaping the development agenda of the region's fledgling democracies, communist governments, and military dictatorships. The ADB continues to highlight the potential benefits of its lending while glossing over its adverse environmental and social impacts. ADB lending achieves even greater significance in the context of the understanding reached by MDBs to re-commit themselves to **high risk/high reward infrastructure projects in the near future.**

Civil Society Organizations (CSOs) involved in the campaign to reform the ADB are particularly concerned about:

- \* **Public participation** in the design, implementation, monitoring and evaluation of ADB projects
- \* **The social and environmental impacts** of ADB programs and projects, and the Bank's accountability/willingness to accept responsibility for these impacts and take steps to prevent them
- \* **The secrecy** of ADB's governing structure and decision-making

### **Lack of Transparency and Meaningful Participation**

The negative impacts caused by development projects are sometimes the result of poor planning and/or poor implementation. ADB activities are often carried out with-

## Samut Prakarn Wastewater Management Project, Thailand

In recent years the ADB provided funding for a wastewater management project in Thailand intended to tackle the heavy water pollution problems in the Samut Prakarn industrial area. However, during project preparation, the location of the treatment plant was moved for its original site on the banks of the polluted Chao Phraya river to Klong Daan, a saltwater area that supports a variety of fisheries-based livelihoods located 20 km away. The ADB and the Government of Thailand failed to proactively provide any information about the project to communities in Klong Daan, who only became aware of the project after construction began. The project was supposed to transport polluted water from the industrial area to be treated in the plant before being discharged into the sea near Klong Daan. However, the plant is not designed to deal with heavy metals and other industrial toxins, so this discharged water will remain polluted. In addition, the discharge of water will affect the salinity of the area, thereby greatly reducing shrimp, fish and shell fish harvested by many of the people of Klong Daan. Therefore, if this project becomes operational, it stands to have severe negative environmental effects on a coastal ecosystem on which a community of 60,000 people depend for their livelihood.

After many years of resistance by the Klong Daan residents (including the filing of an inspection case) and pressure from an international monitoring campaign, the ADB has decided not to continue with its involvement in the Project.

## Chashma Right Bank Irrigation Project, Pakistan

The goal of this project is to irrigate a total of 231,000 hectares of land on the right bank of the Indus River in Pakistan. The project has caused widespread environmental and social harm resulting from design failure and inadequate resettlement measures. Design flaws have resulted in damaging floods during the monsoon season, displacing many villagers and destroying homes. The project has negatively affected local communities' access to clean drinking water. In addition, the project is causing deforestation, loss of biodiversity, land degradation and soil erosion. The ADB incorrectly classified the project in terms of its potential environmental impacts and thus never conducted a full environmental impact assessment.

The Chashma project is an inspection case at the ADB; the Final Report of the Inspection Panel has ruled that six ADB policies were breached by ADB management during the design and implementation of the Chashma project.

out the informed participation of affected people, civil society, or even the elected officials in the borrowing countries. In most cases governments or companies negotiate decisions with the ADB and do not include local communities in decision-making, yet these communities are the most likely to be seriously affected by the projects. Development-decision making should involve a broad range of stakeholders because countries are responsible for paying back the money that they borrow; ultimately each new approved project increases the debt burden on countries and its citizens.

The ADB is made of up of 63 member governments, and it is financed with taxpayer money from these countries. The fact that it is a publicly funded institution suggests that it should be open about its decision-making and accountable to the citizens of its member countries for the impacts of its operations. It should also strive to be representative of a wide spectrum of external stakeholders, and should ensure this by allowing for the informed participation of elected officials, civil society groups, the private sector, academics, and most importantly, people who stand to be directly affected by its operations.

### Environmental and Social Impacts

Although the ADB claims to operate in the interest of Asia and the Pacific's poorest citizens, ADB-funded operations are often responsible for causing widespread environmental and social damage, negatively affecting some of the region's poorest and most vulnerable communities. In many cases communities lose their homes and/or source of economic livelihood, their health is damaged, and their traditional ways of life are destroyed. Affected commu-

nities rarely get enough compensation for their losses and harm suffered.

The ADB has recently signaled a strong interest in increasing support to large infrastructure projects. This is of great concern because traditionally these projects have produced some of the most severe impacts on vulnerable communities and the environment. Managing large infrastructure projects is difficult especially in the absence of strong national regulatory frameworks and agencies, which is the case in several ADB borrowing countries. Moreover, the ADB has not demonstrated an ability to effectively enforce its own social and environmental policies in the large infrastructure initiatives it has supported in the past. As a result, the ability of these projects to contribute to poverty reduction, ADB's stated overall objective for the region, is often questionable and at best indirect. The examples given above are of projects where affected communities have been able to challenge the ADB and have demanded that the Bank be accountable for the impacts of these projects. There are many more instances, too numerous to mention here, where local communities have suffered the negative impacts of ADB projects in silence.

### Why target the ADB for Advocacy?

Though national governments share responsibility with the ADB on problem projects, it is important to target the ADB for the following reasons:

- \* Because ADB provides substantial financial resources to borrowing countries, it has a huge influence on the development priorities of these countries.
- \* Because a project may not proceed without the ADB's

seal of approval, which provides legitimacy and leverages significant counterpart funding from other multilateral, bilateral and private sector sources.<sup>2</sup>

- \* Because the ADB depends in part on donor government contributions, taxpayers of those countries can claim that such transfers require the Bank to be accountable to them. The dynamics of the transnational advocacy process leads campaigners to focus on available pressure points.
- \* Because many of the borrowing governments are less than democratic. Although authoritarian borrowing governments are often the direct perpetrators of socially and environmentally costly projects, advocacy groups argue that the Bank has added responsibility in such cases precisely because citizens lack channels for holding their own government accountable.
- \* Because in its own internal evaluations, the ADB has admitted that many of its projects have failed to meet or sustain their objectives.<sup>3</sup>
- \* Because of the evidence that poverty has not been reduced in some countries; it has sometimes worsened, in spite of years—even decades—of ADB assistance.

### Civil society role in ADB operations

Civil society groups can have a role in helping to ensure that ADB funding is responding to the poverty alleviation and development needs of their country. Civil society groups can do this by:

- \* *Monitoring ADB-funded projects and programs in their country*

It is helpful to learn about projects in the “pipeline” (i.e. in the early planning stages) so that civil society has an opportunity to influence projects before they are approved by the Board of Executive Directors. The earlier you learn about a project, the easier it will be to influence its development and implementation. By monitoring ADB projects and programs, civil society organizations can serve as watchdogs to ensure proper use of funds.

- \* *Being a liaison between the ADB and communities affected by ADB projects*

The ADB, and borrowing countries, are required to consult with communities that stand to be affected by ADB-financed projects and programs. Civil society groups can help local communities better understand the ADB, and can assist them in raising their needs and concerns directly with the ADB.

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### Endnotes

<sup>1</sup> Since 2000 the ADB has lent the following amounts to developing member countries in the Asia Pacific region: 2000 - \$5.6 billion; 2001 – \$ 5.3 billion; 2002- \$5.6 billion; 2003 – \$6.1 billion (all values in USD).

<sup>2</sup> In 2003, the ADB mobilized US \$2.4 billion in co-financing for projects it supported, totaling about 40 percent of its total lending. In 2003, 28 projects in 14 DMCs and two regional projects involved cofinancing.

<sup>3</sup> An analysis of ADB project performance audit reports for Indonesia, Pakistan and Sri Lanka, found that over 70 percent of ADB projects in these countries are unlikely to provide long-term social and economic benefits. This analysis, conducted by Environmental Defense, can be seen at [http://www.environmentaldefense.org/documents/2898\\_ADBinitownwords.pdf](http://www.environmentaldefense.org/documents/2898_ADBinitownwords.pdf)