



Untold Realities:

How the ADB Safeguards have been violated in
Bangladesh, India, Lao and PDR Pakistan

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NGO Forum on ADB would like to thank the following for their contributions:

Himanshu Thakkar, Gururaja Budhya, Zulfiqar Halepoto, Zakir Kibria and the Special Case Study Writer

Cover Photo:

Affected people of the Kulna Jessore Drainage Rehabilitation Project (KJDRP) in Southwest Coastal Region in Bangladesh

Photo by Hemantha Withanage

Layout by Romil Hernandez

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ABBREVIATIONS

ADB	Asian Development Bank
CBOs	Community based Organizations
CCA	Cultivable Command Area
CDM	Clean Development Mechanism
CSOs	Civil Society Organizations
Crore	One crore is equivalent to one hundred thousand
DMC	Developing Member Country
DPOD	Dhoro Puran Outfall Drain
DSC	Design and Supervision Consultants
Dhands	Local Sindhi word used for Wetlands
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
GOP	Government of Pakistan
GOS	Government of Sindh
GOU	Government of Uttaranchal
Ha	Hectare
HEP	Hydro Electric Project
IA	Implementing Agency
IBIN	The Indus Basin Irrigation Network
IBIS	Indus Basin Irrigation System
IEE	Initial Environment Examination
IFIs	International Financial Institutions
IRR	Internal Rate of Return
Km	Kilometer
KPOD	Kadhan Padeji Outfall Drain
LBOD	Left Bank Outfall Drain
MAF	Million Acre Feet
MCC	Mysore City Corporation
MGP	Mysore Grahakara Parishath
MW	Mega Watts (installed Capacity)
MU	Million Units (electricity)
MUDA	Mysore Urban Development Authority
NDP	National Drainage Program
NGOs	Non-Governmental Organizations
NSDS	National Surface Drainage System
OED	Operations Evaluation Department
ORR	Outer Ring Road
PDD	Project Design Document (submitted for CDM credits)
PIDAS	Provincial Irrigation and Drainage Authority Departments
PIU	Project Implementing Unit
PLF	Plant Load Factor
R&R	Resettlement and Rehabilitation
RAP	Resettlement Action Plan
RBOD	Right Bank Outfall Drain
RD	Reduced Distance measured, one RD=1000 feet
Rs	Indian Rupees
SANDRP	South Asia Network on Dams, Rivers & People
SHP	Small Hydro Project
SIDA	Sindh Irrigation & Drainage Authority
T&D	Transmission and Distribution
TA	Technical Assistance
TOR	Terms of Reference
TPD	Tonnes per day
UGD	Underground Drainage
UJVNL	Uttaranchal Jal Vidyut Nigam Limited
UNFCC	United Nations Fund for Climate Change
WAPDA	Water and Power Development Authority
WCD	World Commission on Dams
WMP	Wetland Management Plan

Foreword

Despite the number of safeguard policies to manage the social and environmental impacts of ADB operations, local people face severe impacts including loss of livelihood and displacement. The recent Operation Evaluation Department (OED) Special Evaluation Study (SES) on Environment Safeguards revealed that current practice at the ADB is falling below international best practice and reasonable expectations. Similarly, the OED study on the Involuntary Resettlement Safeguards revealed that between 1994 and 2005, the ADB anticipated that its projects would have an impact on at least 1.77 million affected people (AP). Projects approved in the last five years are expected to affect between 100,000 and 150,000 people every year. These reports show how people and environment have been victimized by the development agenda of the ADB and its member governments.

The key message of the Asian Development Bank's OED SES Reports is to give more authority to its developing member countries (DMCs) to take charge of their compliance to safeguards under the "Country Systems." This will combine the idea of "harmonization" of the safeguard policies of other financial institutions with national requirements.

Most countries are not ready with their national standards to meet with this new ideology. Shifting towards the country system could be seen as ADB's way of passing the responsibility to governments for the violations caused by its project financing and watering down of its safeguards. Risks associated to this system include corruption, bureaucratic obstacles, lack of capacity and resources which could worsen the social and environmental condition of the affected people, to name a few. ADB's so-called "consolidated review" of its safeguard policies has been brought to justify this new concept. However, this is not a secret to civil society organizations.

As a civil society network engaged in monitoring the projects and policies of the ADB, NGO Forum on ADB took the lead to bring the untold stories of the affected people to the discussion table. Two of its recent publications, "Snapshots of ADB Disasters" and "Development Debacles," are part of this effort. These publications document how violations of the existing safeguard policies have affected the environment over the decades and have continuously contributed to the sufferings of the people.

"Untold Realities" is the third publication of this series which shows how the ADB safeguard policies, i.e. Environment, Involuntary Resettlement and Indigenous Peoples, are implemented on the ground.

On the US\$300-million loan for the Uttaranchal Power Sector Project, Himanshu Thakkar of South Asia Network on Dams, Rivers & People states, "The impact assessments have been utterly inadequate. The management plans, therefore, have little relation with ground realities. Local people have not been given any project document in their language, which in turn means that there has been far from adequate consultation with the affected people, and the benefits claimed are exaggerated for the local people, for the region and for climate change."

Commenting on the US\$62-million Khulna-Jessore Drainage Rehabilitation Project (KJDRP) of the ADB in southwest coastal districts in Bangladesh, Zakir Kibria of Bangla Praxis states, "the project ignored environmental concerns raised in the Summary Initial Environmental Examination (SIEE) and embarked on a structural construction-based design in an ecologically fragile river system. The failed project has now left a legacy of social and environmental disaster exemplified by silted-up dead rivers, permanent inundation of thousands of hectares of land, loss of indigenous variety of fish and crop biodiversity, and has driven fisher folks out of work."

Zulfiqar Halepoto of Forum for Conflict Resolution-Pakistan states, "the Left Bank Outfall Drain (LBOD) project was intended to drain saline ground at surface water and storm run-off. Due to several technical problems, the drainage effluents, instead of going into the sea, started destroying lands and internationally-recognized wetlands. The project-induced problems include: flooding, sea intrusion, loss of crops and agricultural land, reduction in fish catches and loss of lives."

On the Case of Urban Infrastructure Development Projects in Karnataka, India, Gururaja Budhya of Urban Research Centre-Bangalore states, "The implementation of urban development projects in Karnataka shows that the five major challenges in the Environment Policy identified by the ADB have not been addressed, rather it has created

more complications. The poor are not part of decision-making, institutional changes are top-down, the project has contributed to the deterioration of regional environment in the long run, no stakeholder engagement has been conducted, and systems within are not internalized.”

The special writer documenting the case of the Basic (Girls) Education Project in Lao PDR states, “an ADB loan was used by the Government of Laos to advance internal resettlement without the Bank’s knowledge, and in breach of the Bank’s policy on Involuntary Resettlement. The case demonstrates a systematic failure of the Bank’s policy on Involuntary Resettlement to have operational meaning in the Bank’s lending, and raises significant questions about the potential unintended impact of US\$284 million of the ADB’s lending to Laos. It illustrates the need for much stronger safeguard processes, as well as the undoubtable inadequacy of applying a ‘country standards’ approach in this context.”

The five case studies in this publication show how the safeguard policy violations negatively affected local people. We hope that these case studies will be an eye opener to ADB decision makers on the importance of the safeguard policies and its proper implementation if the ADB continues to finance projects. Passing the responsibility to national governments will not help the ADB evade criticisms due to the negative impacts of its funded projects.

Hemantha Withanage
Executive Director, NGO Forum on ADB

Quezon City, The Philippines
8th October 2006

India

Violations of ADB Policies in Three Small Hydropower Projects in Uttaranchal, North India

by Himanshu Thakkar of South Asia Network on Dams, Rivers & People Delhi, India

Executive Summary

The US\$300-million loan for the Uttaranchal Power sector sanctioned by the ADB Board in March 2006 includes US\$45 million for the Kaldigad, Kaliganga and Madhyamaheshwar small hydropower projects. An analysis of the loan document, summary EIA, project development documents (all three projects have been submitted to UNFCCC for CDM credits) and visits to affected areas reveal that the projects involve numerous violations of ADB's policies and Indian norms and laws. The impact assessments have been utterly inadequate. The management plans, therefore, have little relation with ground realities. Local people have not been given any project document in their language, which in turn means that there has been far from adequate consultation with the affected people, and the benefits claimed are exaggerated for the local people, for the region and for climate change. These projects, as they stand, will not be in the interest of the community, region or for cleaner environment. The affected people have written to the government and the ADB that under the current circumstances, projects are unacceptable. ADB's response so far has been on expected lines: ignoring the fundamental issues, ignoring the concerns of the people, showing some fictitious bright light in the future horizons -- promising to look into the issues when necessary. Looking at ADB's track record, this promise is likely to remain just a promise, while people's lives are destroyed and the nation's resources are deployed for impossible benefits. There are many other and possibly bigger concerns around the entire project, but this case study is limited to the issues around the three small hydropower projects mentioned above.

Himanshu Thakkar¹
Coordinator, South Asia Network on Dams, Rivers & People

¹ Himanshu Thakkar, an engineer from Indian Institute of Technology, Mumbai, is currently coordinator of Delhi-based South Asia Network on Dams, Rivers & People and editor of *Dams, Rivers & People*. He has been associated in the past with the Narmada Bachao Andolan, Centre for Science and Environment and the World Commission on Dams.

Introduction

The Asian Development Bank has approved a US\$300-million loan for the Uttaranchal Power Sector. The project includes a US\$45-million component for small hydro projects (SHPs). However, a major component of the project is to fund transmission lines for a number of proposed large hydro projects that are seen to be in violation of Indian legal norms in environmental clearance process, including public consultation process, and quality of and access to environmental impact assessment (EIA) reports. Under the Project, the ADB is funding large hydro projects under disguise, without taking the responsibility for the social and environmental impacts of said projects. The ADB is guilty of being party to the violations happening in these projects.

Project Background

Uttaranchal Power Sector

At year-end 2005, Uttaranchal have installed generating capacity of 1,160 MW entirely from hydropower plants. Total theoretical potential is estimated at 20,000 MW. Capacity expansions planned through 2018 total about 10,000 MW. There are 14 projects under construction, totaling 5,525 MW in new capacity by 2010. An additional 4,791 MW are in the development stage with commissioning due soon after 2010, and an additional 9,090 MW is planned beyond that. Approximately US\$4 billion in new investment is required for new generating capacity to be commissioned by 2012, most of which will be provided by central public sector utilities, Uttaranchal Jal Vidyut Nigam Ltd. (UJVNL) and private sector developers.

Uttaranchal Power Department

The Uttaranchal Energy Department is the program's overall executing agency. UJVNL will be in charge of investments in generation. The Power Transmission Corp. of Uttaranchal Ltd. will be responsible for transmission sector investments.

UJVNL takes the lead role in developing hydroelectric projects (HEPs) greater than one megawatt and manages private sector participation. Private participation is open for more than 40 HEPs of less than 25 MW capacity and 13 HEPs of 25-100 MW.

The Uttaranchal Renewable Energy Development Agency takes the lead role for projects of less than one MW. It also manages renewable energy projects, including off-grid development, with some support from bilateral donors and non-governmental organizations (NGOs).

Uttaranchal Jal Vidyut Nigam Ltd.

UJVNL was formed in 2001, shortly after the creation of the State of Uttaranchal. UJVNL was created by separating the assets of Uttar Pradesh Jal Vidyut Nigam based on location. As a result, UJVNL received nine large and

medium hydropower plants, nine small hydropower plants, and 23 micro-hydro stations with a total capacity of 1,130 MW; of which 1,005 MW are operated by UJVNL, five MW by an independent power producer, and the remaining 120 MW by the National Hydroelectric Power Corp.

Surplus power

The ADB report notes that in 2003, state demand has exceeded in-state supply by 10.2 percent. In 2004, this gap has decreased to less than five percent even as the electricity utilization in the state has increased by 10-16 percent per year since 2000.

High transmission and distribution losses

The ADB report, on page 45, notes that Uttaranchal has had aggregate technical and commercial losses of 44 percent from 2003 to 2004. This is way above the norm of 15 percent losses.

Further, on page 47, it states, "A key challenge is the high level of aggregate technical and commercial losses, which increased during the first 3 [three] years of its operations. However, the trend has been reversing in 2004-05. Commercial losses increased from Rs981.1 million in 2002-03 to Rs2,049.5 million in 2003-04 with transmission and distribution (T&D) losses estimated at 35%."

Options not considered

Considering the number of projects in the state under construction and the scope for improving the generation, peak management, and reduction of the transmission and distribution losses, there is little rationale for additional generation projects suggested in the facility.

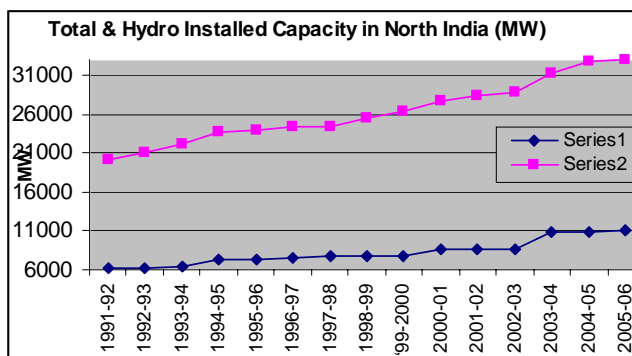


Fig. 1: Hydro and Total Power Installed Capacity in India over the last 15 years.

The ADB Project

The report claims, “The generation expansion program is dominated by clean energy development in the form of low-carbon generation operations, and energy efficiency improvements in the form of renovation and system loss reduction. While most of the new hydropower capacity during the first phase will come from large (more than 100 MW) and medium (25-100 MW) plants, the program includes small run of river hydropower plants (3-25 MW). Numerous candidate sites have been identified, with a cumulative capacity of around 1,000 MW, about 10 percent of which is now operating. Independent power producers are expected to develop about half of the small hydropower plants. SHPs provide power directly to local grids (at 33 kilovolts), and therefore, are integral to meeting rural electrification objectives. SHPs can be constructed much faster than medium- and larger-sized ones, are environmentally friendly, and are expected to generate tradable carbon credits, with substantial financial upside to the project sponsors.”

The ADB is providing assistance to the Government of Uttaranchal to develop carbon credit opportunities. If the SHP investments are not feasible or do not qualify for the Clean Development Mechanism (CDM), selling emission reduction credits in the second-tier, or voluntary, markets may be possible, the report notes. However, there is a good chance that neither of these options may be available as the SHPs may not pass the criteria for qualifying for these benefits.

The ADB project assumes that installed hydropower capacity in Uttaranchal would increase over the next 12 years as shown in figure 2. This is a questionable, unrealistic and unacceptable situation as this would mean unnecessary construction of hydropower projects, seriously impacting a very large number of poor people and the environment, with no chance of mitigating measures.

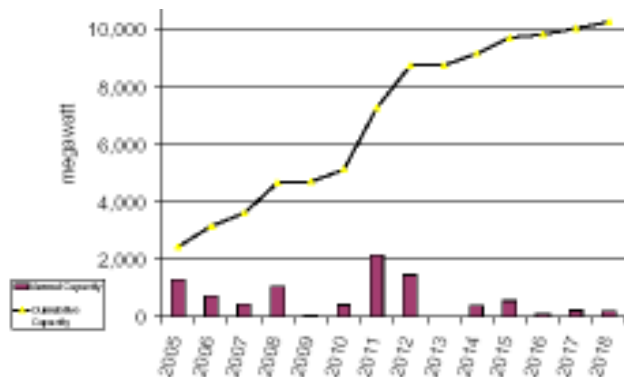


Fig. 2: ADB Projection of Hydro Installed Capacity in Uttaranchal

ADB loans will finance up to 70 percent of total subproject costs. The minimum amount of a loan request will be US\$25 million.

Questionable Rationale

The project is based on the following rationale, which is questionable if we look at the past experience and current situation:

Assumption: “The state has undeveloped hydropower potential estimated at 20,000 MW. Harnessing this hydropower capacity is vital to meet all in-state demand and export power to surrounding states, and support investment in rural and other productive sectors.”

Why it is unfounded. This is a highly questionable assumption. The predominant mode of realization of the so-called potential of 20,000 MW is through large hydro projects which cannot be called clean. Nor is there any direct link between development of these projects and poverty reduction. On the contrary, such projects are known to be creating impoverishment by displacement and by taking away the resources out of the hands of the rural communities. Similarly, greater consumption of electricity within the state and generation of revenue through export of such power do not necessarily lead to poverty reduction.

ADB’s projections of capacity addition in Uttaranchal assume that 1,284 MW would have been commissioned in 2005-2006. This has already been proven to be wrong.

Assumption: The Northern Region grid has a power deficit that will persist for several years, but that can be cost-effectively ameliorated by developing hydropower in the mountainous states of Jammu and Kashmir, Himachal Pradesh, and Uttaranchal.

Why it is unfounded. First, if we look closely, the Northern Region does not really need additional large generation capacities, as it is also made clear in the CEA’s National Electricity Plan of March 2005 which was quoted by the ADB report. With the current generation capacity when operated optimally, and considering the projects that are under construction, the Northern Region is unlikely to require additional large capacities in short or medium term when we take into account the possible imports from Eastern and Northeastern grids, the potential of peak management and demand side management, reduction in T&D losses and decentralized generation options. Thus, this justification put forward to push large hydro projects in the Himalayan states of Jammu and Kashmir, Himachal Pradesh and Uttaranchal is totally unfounded.

Demand Growth

Percentage compound annual growth rates (CAGR) in the decade up to 2004-2005 are as follows:

- | | |
|----------------------|------|
| • MU demand met | 4.87 |
| • MU demand | 5.20 |
| • Peak MW Demand met | 4.85 |
| • Peak MW Demand | 4.70 |

It is clear from the above that the peak demand has been growing at a slower rate than the growth rate at which peak has been met. This means that the trend is for lower unmet peak demand in the future. It can also be seen that peak demand growth at 4.7 percent is way below than what was assumed by the ADB (9-10 percent).

Peak Demand Growth

Even if we just take the figures of the past five years (2001 to 2006), we can see that the compound annual growth rate in peak demand has been less than six percent. Even if we assume six percent CAGR for peak demand growth up to 2008-2009, the peak demand in the Northern Region in 2008-2009 would only be 33,532 MW, which is way below the 41,200 MW assumed by the ADB. If we even take the higher CAGR of seven percent, which is highly unlikely even if we take the behavior of demand pattern in most recent years, the likely peak demand would be 34,390 MW in 2008-2009, which is still hugely 6,800 MW less than the ADB assumption. It is clear that the ADB assumptions are exaggerated to justify capacity addition in the Northern Grid and related transmission investments.

The ADB projections do not take into account the option of peak management and demand side management options. Thus, this scenario is not likely to be real or optimal and does not provide basis for the proposed ADB project for creating surpluses in Uttaranchal through additional installed capacities. It may also be recalled that a lot of hydro capacity is not used for peak load supply and a huge option remains on this score. There is also the option of adding hydro capacities at existing dams where no such facility exists. Similarly, there is also the option of better output from existing capacities through better maintenance.

Why Retroactive Finance?

The ADB Project, strangely, provides for retroactive financing under individual loans for expenditures incurred 12 months prior to the signing of the corresponding loan agreement, with a ceiling of up to 20 percent of the loan amount. This in essence gives a signal that signing of

individual loans are just a formality, the projects can go ahead, assuming that ADB finance will be available.

The Case Study

What has been described above is to give a general idea of the project, the power sector in Uttaranchal and Northern India. However, this case study focuses on the three small hydropower projects that are being funded under the project.

Research Methodology

This case study uses what the ADB President has said in his Report and Recommendation to the Board of Directors in March 2006 for the project entitled, "Proposed Multitranches Financing Facility India: Uttaranchal Power Sector Investment Program,"² along with other relevant documents.

One of the components of the ADB's Uttaranchal Power Project includes three small hydropower projects:

- 10 MW Kaliganga I (4 MW) and II (6 MW) SHP in Rudraprayag District on Kaliganga River, a tributary of Mandakini/Alakananda River
- 10 (2x5) MW Madhyamaheswar SHP near Mansuna and Chuni villages, downstream from the meeting of Madhyamaheswar Ganga with Mandakini River in Rudraprayag District
- 9 MW Kaldigad SHP near Sangamchatti Village in Uttarkashi District on Kaldigad stream in Bhagirathi Valley.

An analysis of the project design development for these projects was done. A visit was made to the affected villages with a view to understand ground situation. Following the visit, a letter written in Hindi by the affected people was translated to English and was sent to the UJVNL and the ADB.

When the projects were put up for validation under the CDM Board, objections were sent to the concerned company as to why these projects were not appropriate in the present form for CDM credits. Copies of these objections were also sent to the ADB.

A series of detailed articles were also written in *Dams, Rivers & People*,³ brought out by SANDRP. Further dissemination of the concerns also led to a report in Point Carbon, a leading agency monitoring CDM projects.

A preliminary response was received from the ADB, which promised further for a detailed response.

² The full report is available in the ADB website: <http://www.adb.org>

³ See <http://www.sandrp.in/drpindex>

Project Impacts

Fiction to get CDM credits

A review of the project documents showed that the documents were full of falsehoods, misinformation, contradictions and wrong claims. This became even more apparent after representatives of SANDRP and MATU (an NGO in Uttaranchal) visited the villages in the project areas.

A number of organizations submitted their objections to the Dutch company, DNS, designated as operating agency, even before the set deadline for the submission of comments.

On the outset, it should be made clear that small hydro projects need to be developed if done in a proper way, by following the recommendations of the World Commission on Dams (WCD).⁴ However, the way these projects are now being taken up cannot be accepted as it would not be in the interest of the local people, the economy nor the environment.

Negative Impacts

The project design documents (PDDs) submitted by the Project developer and the ADB (in fact, as stated in the PDDs, all three PDDs have been prepared by an ADB consultant) for CDM credits repeatedly have made the most shockingly misleading statement (section A.2, A.2 (h), A.2 (i), F.1) that the projects are being taken up "without causing any negative impact on the environment." A project of this nature always causes significant negative impacts on the environment due to the following:

- diversion of streams to agricultural and forest lands for the projects (which in turn dries up the streams until the water return to the stream after the tail-end channel);
- blasting for the construction of tunnels and diversion structure;
- migration of a large number of outsiders to the area and the impacts thereof;
- disposal of a large amount of muck created during project activity;
- laying of transmission lines and construction of roads;
- noise and dust pollution during construction; and
- increase in the possibilities of soil erosion and land slides, to name a few.

The project documents should be honest on such impacts and should include a management plan to mitigate said

impacts. Non-inclusion of these is a violation of CDM norms, ADB and national policies.

Land Acquisition

The summary environmental impact assessment (EIA) of the Project, on page 60-63,⁵ shows that the total land area that will be taken for the three projects are as follows:

- In *Kaliganga*, a total of 6.52 ha of land will be taken for the Project, including 3.66 ha of forest land and 2.85 ha of cultivated land from the farmers.
- In *Madhyamaheshwar*, the summary EIA shows that cultivated land (SHP is 0.77 ha) will be taken from the farmers. The project will also need 4.999 ha of forest land; clearance of which has not yet been taken.
- In *Kaldigadh*, the summary EIA shows that cultivated land (SHP is 0.5 ha) will be taken from the farmers. The project also needs to take permission for diversion of 4.2 ha of forest land, which has not yet been secured.

The Project will cause impact on the livelihoods of the farmers, contrary to what is stated in the PDD. The Project also needs to secure the permission for the diversion of the stream to the forest land, which has not yet been taken. The Project should have been submitted for CDM validation only after all such required permissions are in place, which is not the case in the three projects.

Water Diversion

The statement: "The construction of this project neither alters nor contributes to rising of water level in the stream nearby" is totally false. Each of the four projects indeed would divert all the streams and completely dry up the downstream from the diversion point, until the water returns to the stream after the tail-end channel.

Other examples of false statements made by the Project are also cited in this section such as 'there is insignificant aquatic life', 'there will be no impact on the same', 'there is no risk to health of the people', 'there is no risk of soil erosion', 'the power channel will improve the soil erosion at a later stage', among others. Such falsehoods cannot be accepted.

Positive Impacts

SHPs, when taken up in a proper way according to the guidelines suggested by the World Commission on Dams, can lead to positive impacts. However, with the way the ADB has handled these SHPs, the net impact of the

⁴ See <http://www.dams.org>

⁵ See <http://www.adb.org>

project on the local people, environment and economy is likely to be negative. Below are some points that prove that what the project claims about positive impacts are wrong, exaggerated, misleading or even baseless.

1. The Project Document contradicts itself when, on the one hand, it says that project will generate “cheap hydropower,” and on the other hand, it seeks CDM credits so that internal rate of return (IRR) of the project goes up.

2. It is stated in the PDD that the plant load factor (PLF) of such projects is generally 20.7 percent. If this is the case, how come the proponents are claiming that the PLF would be 75.76 percent for the proposed Kaliganga projects, 68.93 percent for the Madhyamaheshwar project and 86.76 percent for the Kaldigad project?

3. The claims under the “Regulatory Barrier” that the IRR will be 6.54 percent for the Kaliganga projects, 5.94 percent for the Madhyamaheshwar project and 7.79 percent for the Kaldigad project are wrong, as they do not take into account the incentives that the Central Government gives for small hydro projects.⁶ Such incentives include capital subsidy of up to Rs150 million per project. In the case of Kaliganga, since there are two projects, the capital subsidy available would be up to Rs300 million. If all such incentives are taken into account, the IRR would be much higher.

4. What is stated about the “Regulatory Barrier” is also not correct. The Uttaranchal Electricity Regulatory Commission, in its order dated 11 November 2005,⁷ has set up a number of important norms for tariffs of power from small hydro projects in Uttaranchal up to 25 MW.

5. The claim in section B.3 that the project is an additional is not right. The summary EIA of the project⁸ says on page 60 that the groundwork for the Kaliganga projects started in 1982. Moreover, since these are ADB-funded projects, the finances for the project, including its deadlines and implementation mechanisms are fully in place, and that the project would go ahead even without the CDM credits.

6. The PDD contradicts itself when, on the one hand, it says that the power will be connected to the grid and exported to the Northern Region (the PDD also justifies the need of the projects in the name of power demand in the Northern Region), and on the other hand, it claims that the project will lead to availability of power to the

local population and taking up of industries in the area. Experience from other areas where such similar projects have been implemented shows that such are baseless and such claims should not be entertained in a fair project document.

7. The PDD makes a wrong statement that “only fossil fuel fired power stations would contribute to major part of the future capacity additions,” when in reality, a very large number of big hydro projects are planned and are under construction in the Northern Indian Region. Moreover, the figure of energy shortage of 10.06 percent in 2004-2005 is wrong; as per the report of the Northern Region Load Dispatch Centre, the shortage was only 9.01 percent. The given figure of growth rate in peak power of 11.39 percent is also wrong. The correct way would be to look at the compound annual growth rate over the last decade, which is 4.7 percent instead.

8. The claim that National Electricity Policy of 2005 “favored establishment of large thermal based power plants and large hydro power plants” is also very misleading. A number of sections (e.g. section 5.2.20, 5.12.1, and 5.12.2) of the National Electricity Policy⁹ are actually about renewable energy sources, including small hydro projects. The proponents are either ignorant about this or are making misleading claims.

Moreover, there is a separate ministry for unconventional sources of energy, the Ministry of Non-Conventional Energy Sources.¹⁰ In its website, one can see the slew of incentives provided for SHPs. By not mentioning these, the proponents are trying to mislead the CDM Board.

9. The claim made on section A.4.5 that “the proposed project activity is not a debundled component of a large project activity” is incorrect as the project is very much part of the larger ADB-funded Uttaranchal Power Project.

10. In Section E.1.2.4, the project considers generation mix of the Northern Region for the baseline emission calculations. However, the project is in Uttaranchal and such projects should consider the state level emission calculations. Moreover, the estimated emission factor of 839.87 tCO₂/GWh seems on a higher side.

11. It is wrongly stated in the PDD of Kaliganga Project that it is located in Himachal Pradesh State when the project is in fact in Uttaranchal State. Such blunders in facts give rise to suspicion that the documents have been prepared by cut and paste method.

⁶ The Central Government incentives are described at <http://www.mnes.nic.in/frame.htm?majorprog.htm>.

⁷ See <http://uerc.org/Order1to25.pdf>

⁸ See <http://www.adb.org>

⁹ The National Electricity Policy is available at <http://www.powermin.nic.in>

¹⁰ See <http://www.mnes.nic.in>

Relevant ADB & National Policies Violations

Actual Provisions

The Projects under this case study involve violations of a number of ADB policies. We have tried to get relevant ADB provisions from a recent e-paper (in printed and CD version) entitled, "Dams and Development: A Source of information, guidance, and weblinks related to planning and implementing dam projects," brought out by the ADB in 2006. In each section of the CD, there is a specific subsection entitled, "What do ADB policies say." While reviewing the ADB policies in the context of the current case study, we have taken the policy provisions from those subsections, straight from the official source. Let us look at the ADB provisions and violations thereof.

Prologue

UJVNL, the project developer for all three projects and the ADB, the funding agency, have not done any satisfactory consultation with the people in the affected villages. The local people have not been given any of the project documents like the detailed project report; they have not been given the environment impact assessment or environment management plan in the language that they can understand. Nor have the people been told about any of the adverse impacts of such projects. This is a clear violation of the rights of the people and also a violation of the CDM norms (all three projects have applied for CDM credits) for consultation of the stakeholders and the local people. Until this is corrected, the project should not be validated.

Need and Options Assessment

The ADB provisions in the given CD states the following:

"ADB supports governments to identify development needs and assess alternative approaches to meet those needs in a variety of ways:

- poverty and growth analysis
- thematic assessments
- sector analysis
- country strategy and program."

First, as we can see it, the ADB provision is quite general and does not get bound in any well-defined options assessment.

However, the Energy Policy Review done by the ADB in 2000 had the following provisions:

"Efficiency improvement: ADB will assist its DMCs in the design and implementation of measures to improve the efficiency of energy supply and use. This will include assistance for reducing technical and non-technical power losses." (para 77[viii]).

"Energy conservation: ADB will assist its DMCs in the design and implementation of measures for energy conservation and demand-side management." (para 77 [ix]).

In the Uttaranchal Project, there is no component for reduction of the huge transmission and distribution losses or for demand side management. **THUS, ADB POLICY STANDS VIOLATED.**

For project specific situations, the Energy Review Policy 2000 said:

"In the design of such projects, care will be taken to minimize adverse environmental and social impacts and to maximize economic efficiency and support for renewable energy development, where feasible. For new hydropower projects, the approach recommended by the World Commission on Dams will be pursued." (para 80 [iv])

In the current projects, there is no attempt to MINIMIZE the adverse environment and social impacts, nor an attempt to MAXIMIZE the economic efficiency. Nor is there an account to show how the projects are following the approach recommended by the WCD. As a matter of fact, the projects seem to violate most of the recommendations of the WCD. **THUS, ADB'S STATED POLICY STANDS VIOLATED.**

Participatory Processes and the Public Communication Policy

Here, the ADB policy is supposed to be:

"Participatory processes are an essential part of ADB operations - not only to ensure that social dimensions and impacts of projects are comprehensively addressed, but also in recognition of the wider benefits that stakeholder involvement brings to project design and implementation... Participatory processes should form part of identifying needs and assessing options."¹¹

"Once a project or subset of projects has been selected for feasibility study, more localized participatory processes can be developed to supplement the public consultations undertaken for environmental assessment and resettlement planning."¹²

¹¹ See <http://www.adb.org/Water/Topics/Dams/dams0325.asp>

¹² Ibid.

After September 2005, the Public Disclosure Policy of the ADB should have been in operation. ADB's Revised Water Policy Regarding Large Water Resources Projects, which has been approved in January 2005, states:

"All such projects will need to be justified in the public interest and stakeholders must be provided with the opportunity to comment on the justification with their views considered. The ADB will promote the informed participation of government, civil society, and other stakeholders in the country in an open and inclusive manner towards this end."¹³

As stated earlier, the ADB has done nothing to achieve this. The affected people have not been given any project document in their language, nor have they been informed about the impacts of the projects. As a matter of fact, even an assessment of the adverse impacts of the projects has not been completed. **THUS, ADB POLICY STANDS TOTALLY VIOLATED.**

Social Impacts

On this issue, the ADB policy says:

"Dam projects represent a particularly complex case where resettlement mainly affects remote rural communities and changes in river flows can introduce adverse livelihood impacts across a large area, both upstream and downstream."¹⁴

There are eleven principle policies on involuntary displacement and resettlement.¹⁵ Some of which are:

- Involuntary resettlement should be avoided whenever feasible;
- Where population displacement is unavoidable, it should be minimized by providing viable livelihood options;
- Replacing what is lost... at least restored to pre-project level;
- Conceived and executed as part of a development project or program; and
- The affected people are to be fully informed and closely consulted.

However, all would be relevant when the impacts have been adequately assessed. In the current case, since impacts have not even been properly assessed, most of

the provisions are not relevant. Some of the provisions on avoiding, minimizing the impacts and affected people being **"fully informed and closely consulted"** **STAND VIOLATED.**

Environmental Impacts

On this issue, the ADB policy says:

"Dam projects are normally considered as Category A projects for which environmental impact assessment (EIA) and development of an environmental management plan (EMP) are mandatory."¹⁶

The ADB guideline for Strategic Environmental Impact Assessment says:

"Important considerations in preparing the environmental include assessing induced, indirect and cumulative impacts, examining alternatives, achieving environmental standards, ..., and ensuring meaningful public consultation."¹⁷

The ADB policy on Environmental Flows says:

"The priority areas for ADB assistance include (i) maintaining the flow of ecosystem goods and services to sustain the development process, and rural livelihoods in particular, including through the conservation and sustainable use of biodiversity (ii) protection and improved management of freshwater systems and coastal and marines resources..."¹⁸

The ADB policy on Environmental Management says:

"ADB will address the environmental aspects of its operations through systematic application of procedures for... (iii) monitoring and evaluation of compliance with environmental requirements of loans;..."¹⁹

"ADB also monitors the implementation of agreed environmental mitigation measures by the borrower."²⁰

"Category A...projects require... the development of environmental management plans (EMPs) that outline specific mitigation measures, environmental monitoring requirements, and related institutional arrangements."²¹

¹³ See <http://www.adb.org/Water/Policy/approved-revision.asp#5>

¹⁴ See <http://www.adb.org/Water/Topics/Dams/dams0415.asp>

¹⁵ ADB, "Operations Manual Bank Policies on Involuntary Resettlement," 29 October 2003.

¹⁶ See <http://www.adb.org/Water/Topics/Dams/dams0545.asp>.

¹⁷ See <http://www.adb.org/Documents/Policies/Environment/env020200.asp>, par. 61.

¹⁸ Ibid., par. 32.

¹⁹ See <http://www.adb.org/Documents/Policies/Environment/env020100.asp>, par. 30.

²⁰ See <http://www.adb.org/Documents/Policies/Environment/env020200.asp>, par. 53.

²¹ Ibid., par. 65.

The ADB has not done the full impact assessment of any of the individual SHPs we have reviewed, nor have they prepared management plans for the same. There has been no provision for environmental flows. In fact, hydrological viability of the projects is not known unless all the available hydrological information is shared. It is clear that on most counts, the ADB POLICY STANDS VIOLATED.

Impact of violations on the affected people and environment

Due to the violations listed above, people's right to know about what is happening in their villages and surrounding areas has been violated. Second, the future is dark for people whose land will be taken and for those who depend on the natural resources like streams and the forests; and the common village lands that will be displaced by the project. Third, with the beginning of the project work, there would be further risk to the livelihoods and properties of the people due to blasting, digging and other project-related work, and presence of a large number of workers from outside the region. The Impacts are likely to become more severe due to the non-assessment of the impacts, non-existent management plans, and total absence of people's participation in appraisals, management plans or in decision-making concerning the projects. The environment would also suffer in the process.

Applicable national laws

A number of national and state laws become applicable for different aspects of the projects including, the Environment Protection Act 1986, Land Acquisition Act 1894, The Forest Conservation Act 1980, the National R&R Policy, and so on.

If the ADB Policies were used instead of national laws

There are aspects where it may be more useful to apply the ADB policies and there are aspects where the national laws are more appropriate. The trouble is that most of the ADB policies do not seem to have been applied in projects under review.

Public Response to the Impacts and Policy Violations

The affected people are quite apprehensive about the projects and their impacts. The apprehension of the local people is reflected in the letters they have written to the ADB and concerned state government organizations (see Annex 1). However, the ADB and UJVNL have kept the affected people in the dark about the projects and their impacts. Once the affected people become aware about the full extent of the projects impacts and relevant

policies that are applicable, they are bound to raise objections even in a stronger manner.

SANDRP has sent its critique about the Uttaranchal Power Project to the ADB. On June 23, ADB sent a preliminary response, and SANDRP has sent comments on ADB response on 28 July 2006. Further response of the ADB and the promised more detailed response from the Bank is awaited.

SANDRP and MATU have submitted comments on the application for validation of the three projects for CDM credits. The projects are yet to be submitted for registration.

Response of the ADB and the Executing Agencies

In response to various communications sent to the ADB, the Bank has sent its response on 23 June 2006 (see Annex 2). The ADB dismisses some concerns as it has refused to respond to some issues. In some cases, it has said that more detailed response will be coming. With regard to lack of consultation with the affected people, the ADB has tried to pass the buck onto the project executive agencies. Regarding some concerns, the ADB says it agrees with the SANDRP; but the Bank still has to do something significant about those issues to gain their confidence. On 28 July 2006, SANDRP has sent its comments on ADB's response, dated 23 June 2006. They are still waiting for the Bank's reply.

The paragraph below, which was taken from the Bank's response, provides an opportunity for the ADB to make amends in the future regarding these three SHPs.

"On 30 March 2006, the ADB Board of Directors (the Board) approved a multi-tranche financing facility (MFF) for the Program, not a loan. The MFF is a standby letter of credit, against which individual loans may be made if all terms and conditions agreed to by ADB and GOI are fulfilled. Individual loans for the specific projects are yet to be signed, and compliance with ADB safeguards and GOI regulations governing the proposed investments must be fulfilled before any loans can become effective."

It remains to be seen whether the ADB really makes significant and genuine amendments in the various component of the projects in the future. However, if what has been written in the project design documents for the three SHPs is anything to go by, there are no real grounds for hope. The fate of the application for validation for these projects will show if the ADB is genuinely concerned.

There has been no response from the executing agency, at least none that the author of this case study is aware of.

Conclusions

First, it is clear that the ADB has violated many of the policies right in the beginning of the implementation of these projects.

Second, the impact of violations for the local communities and environment is likely to be quite serious and unless amendments are made in the future, the ADB may think it may get away with such violations.

Third, these may be a test case in the sense that the ADB is attempting to fund small hydro projects for the first time in India. If the ADB can get away with such practices in these projects, these may embolden the Bank to venture into more similar small hydro projects, and even bigger hydro and dam projects.

Fourth, this case study is only about one of the components of the Uttarnachal Power Project, some other components of which are equally sinister, if not more so. One of the important one is the component that seeks to fund transmission of power from large hydro projects, without taking responsibility for the adverse social, environmental or other impacts of the project. If the ADB gets away with this, then again it may create a bad precedent. The ADB has already been successful in getting away with bad practices in the past.²²

Recommendations

The violations of the ADB policies in the case of the three SHPs under review are so clear and pervasive; it is difficult to recommend anything but a stringent compliance mechanism.

The project will have to be monitored consistently over a long period to ensure that the ADB does not get away with such violations.

It should be noted that the Multi-Tranche Financial Facility seems to the author of this case study to be a new mode of pushing projects, and it is not clear how the component projects will play out in terms of loan agreements, adherence to the ADB safeguards policies, and so on. Maybe this project needs greater closure scrutiny in that respect.

The three projects under review have all been submitted for CDM credits. While small hydro projects can potentially be less destructive than large hydro projects, the projects under study seems to be quite destructive for the local communities and the environment. The projects also seem to be as bad in other respects as large hydro. It is clear that small hydro projects can be quite undesirable if not implemented according to set guidelines like, those of the WCD. It is high time that this recommendation be pushed strongly before too many projects get away with clean credits, while being as destructive as big projects, as far as local communities and the environment are concerned.

²² In Rajasthan, the ADB funded the water supply scheme from the Bisalpur Dam without funding the dam and without taking responsibility for the adverse consequences of the dam. Also in Gujarat, the Bank funded the Sardar Sarovar Dam-based drinking water schemes without being held responsible for the impacts of the dam.

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ANNEX 1

Letters to ADB, UJVNL

June 5, 2006

The President,
Asian Development Bank
6 ADB Avenue, Mandaluyong
Metro Manila, Philippines

Chief Executive Officer
Uttaranchal Jal Vidyut Nigam Ltd
GMS Road Ujjwal,
Dehradun 248 001
Uttaranchal

Subject: Concerns about small hydro projects in Uttaranchal under
ADB funded Uttaranchal Power Development Project

Dear Sirs,

1. We are attaching three separate letters from the people in the affected areas of the Kaliganga small hydro projects and Madhyamaheshwar small hydro project in Rudraprayag district in Uttaranchal, expressing concerns about these projects and making some specific demands. Copies of the original letters in Hindi along with their translation in English are attached. The situation in Kaldigad small hydro project area in Uttarkashi is similar and we will send you the letter from the people in the affected area of that project too as soon as we get it. However, you can take the corrective actions in that area too on the same lines as those in the Rudraprayag district.

2. We support the concerns and demands of the affected people in this regard. We hope you would not go ahead with these projects without first meeting these demands in a satisfactory manner. We have already sent electronic copies of these letters to you through email on June 4, 2006.

3. Such small hydro projects need to be taken up provided they are taken up in a proper way. That does not seem to be situation with respect to these projects currently. As you know and as is clear from the project design documents submitted by you for CDM credits, these areas are in precarious situation with respect to soil erosion, land slides, flash floods and so on and the small hydro projects would only make the situation further precarious in all these respects. Particularly if the projects are taken up without full and proper impact assessments, management plans, credible mechanisms to ensure implementation of management plans and full and proper public consultation. Since none of these conditions are met at present, the projects should be suspended pending completion of these steps.

4. SANDRP (South Asia Network on Dams, Rivers & People) has prepared a critique of the Uttaranchal Power Development Project and a copy of the same is attached with a request for your response on the same.

5. We would be happy to answer any questions that you may have.

Looking forward to your early response,

Yours Sincerely,

Himanshu Thakkar
South Asia Network on Dams, Rivers & People
86-D, AD block
Shalimar Bagh
Delhi 110 088

(Sd/-)
Vimal Bhai
Matu Jansangathan
Village Chham, Tehri
Uttaranchal
vimal_bhai@vsnl.net

Copy to:

1. Country Director, Asian Development Bank,
4, San Martin Marg, Chanakyapuri, New Delhi 110 021

2. dmillison@adb.org, electronically

3. gdwyer@adb.org, electronically

4. Shri Kunwar Singh Rawat,
President, Gram Panchayat, Village Giriya
Post: Mansuna, Dist: Rudraprayag, Uttaranchal

5. Smt Anjana Rawat,
President, Gram Panchayat,
Village Chhuni, PO: Ookhimath, Dist: Rudraprayag, Uttaranchal

6. Shri Murlidhar Bhatt
President, Gram Panchayat,
Village and PO: Kotma, Block: Ookhimath,
Dist Rudraprayag, Uttaranchal

7. President, Gram Panchayat
Village: Sangam Chatti
Dist: Uttarkashi Uttaranchal

**TRANSLATED FROM HINDI ORIGINAL
LETTER FROM AFFECTED PEOPLE ABOUT CONCERNS REGARDING THE PROPOSED KALIGANGA SMALL HYDRO
PROJECTS IN RUDRAPRAYAG, UTTARANCHAL**

Letter Head:

President, Village Panchayat²³ Kotma

Block: Ookhimath

Janpad - Rudraprayag (Uttaranchal)

Murlidhar Bhatt

At and Village: Kotma
President Village Panchayat Kotma

Letter No: Most Important

Date: May 26, 2006

To:

1. The President
Asian Development,
Manila, Philippines

2. Chief Executive Officer
Uttaranchal Jal Vidyut Nigam
Dehradun
Uttaranchal

Subject: Kaliganga Small Hydro Projects I and II
in District Rudraprayag (Uttaranchal) India

Respected sirs,

We are affected people from the area of the above mentioned project. So far you people have called just one meeting on Feb 27, 2005 in Kavitha. In that meeting, no information was given about the impacts of the project. Just some oral discussion was done about the benefits of the projects. Sometime thereafter a six page pamphlet was given to head of gram panchayat kotma (given some scant information about R&R aspects of the project).

We have been given no information about the impacts of the project in the project area. What will be impact of the project tunnels on the houses, water sources, etc? What will be the exact place and mode of disposal of the muck created by the project? What will be the impact of this on the environment of the area? What will be the impact on the temperature (micro climate) of the area? What will be the impact on agriculture and horticulture in the area? What will be the impact of the project on the wild life of the area like dears, bear, antelopes, leopard, *Kakad* (Hindi name of the animal whose English translation is not known to the translator)? What will be the impact of the project on water birds in the river like egrets, ducks, water hens and fish in the river? What will be the social and economic impacts? How many labourers will work at the site? How many people of the local area will be able to get employment? What will be the impact on women's movements?

What will the impact of the project on the temples? What will be the impacts on water sources? What will be the impact on water flow in the river? If outside people come here, what will be the arrangement for their stay, food, water supply and sewerage? What will be the impacts of all these on our culture?

To get information on all such issues is the right of the affected people. How can you go ahead with the project violating this right of the people? In the name of development you cannot neglect the environment of the area and rights of the people. You have not done any meeting about stage II project either, but we have learnt that you have shown the Kavila meeting as meeting for both the stages. This is clearly a fraud on the people. The rights of the stage I project have been violated. All this raises serious questions about the intentions and working of Bank (ADB) and the Corporation (UJVNL).

In this context we demand that:

1. Copies of the detailed project report, the full environment impact assessment report and other related documents of both stages should be provided in Hindi to the affected villages like Kavila, Kotma, Syansu, Jal Talla, Chilland, Jal Malla, etc.

²³ Village Panchayat President is elected through legally mandated periodic elections and heads the village government.

2. These documents should be explained to the people in all the affected villages by independent persons
3. At least a month after the above two steps a public hearing be conducted in villages affected by both the stages.
4. The public hearing should be conducted by independent experts of the country.
5. Till all the above four steps are completed satisfactorily, no work should be done on the projects and no money should be given to the projects.

We look forward to early action and response from you.

Signed by:

Murlidhar Bhatt (President) Gram Panchayat Kotma (STAMP AND DATE)

Chandrasingh Rawat (member, group panchayat, Gram Sabha Kotma, Block: Ookhimath, Dist Rudryaprayag)

Name	Father's name	village
Vijay Ram Bhatt	shri, Hiramani Bhatt	Kotma
Dharmananda Bhatt	shri Haridutt Bhatt	Kotma
Rakeshchandra Bhatt	shri Mitranand Bhatt	Kotma
Pramod shri Jay Singh	Jal Malla	
Sher Singh	shri Durga Singh	Khonu
Maheshchandra sati	shri chandradutt sati	Kotma
Kripal Singh Rana	shri Shyam Singh Rana	Chilond
Balvant Singh	shri Kedar Singh	Chilond
Gour Singh	shri Bag Singh	Chilond
Rameshchandra	shri Mathura Prasad Bhatt	Kotma
Ramchandra Singh	shri Bachan Singh	Khonu
Aatma Ram	shri Mahanand	Kotma
Pushkar Singh	shri Gabbar Singh	Kotma
Jay Krishna Semwal	shri Jagatram Semwal	Kotma
Kalam Singh Tindori	shri Jeet Singh Tindori	Kotma
Chandrapal Shah	shri Kantilal Shah	Kotma
Ramprasad	shri Shyamadutt Bhatt	Kotma
Udayram	shri Heeramani Bhatt	Kotma
Vinod Rawat	shri Bachan Singh Rawat	Kaviltha
Prem Prakash	shri Radhakrishna Bhatt	Bonu
Puran Singh	shri Badar Singh	Jaal talla
Radhelal Shah	shri Dilni Shah	Kotma
Gabru lal	shri Kapsa lal Shah	Kotma
Gabru lal	shri Kunji Lal Shah	Kotma
Vinod Bhatt	shri G.R. Bhatt	Kotma
Aasad Singh Rawat	shri Narayan Singh Rawat	Synasu
Sunil Dutt Bhatt	shri Gunananda Bhatt	Kotma
Anil Kumar Bhatt	shri Nand Ram Bhatt	Kotma
Khilish chandra sati	shri Chandra dutt sati	Kotma
Govindram Bhatt	shri Sadananda Bhatt	Kotma
Om Prakash	shri Vidyadutt	Khonu
Manoj Bhatt	shri Jivananda Bhatt	Kotma
Govind Singh Rawat	shri Balam Singh Rawat	Synasu
Aayaram Bhatt	shri Kali Ram Bhatt	Kaviltha
Gayadutt Bhatt	shri Dhyana dutt Bhatt	Kotma
Manik Lal Shah	shri Kunji Lal Shah	Kotma
Subodhni Devi	shri Devidutt	Kotma
Vasanti Devi	shri GovindRam	Kotma
Gaini Devi	shri Heeramani	Kotma
Gyani Devi	shri Aagarmani	Kotma
Jagdumba Devi	shri Aaditya Ram	Kotma
Radhakrishna Sati	shri Ganga Ram sati	Kotma
Vansidharan	shri Tulsi Ram	Chawalta
Purshottum Bhatt	shri Madhavananda Bhatt	Kotma
Jagdeshwari Devi Bhatt	shri Murlidhar Bhatt	Kotma
Aalam Singh Rawat	shri Narayan Singh Rawat	Kotma
Madhavananda Bhatt	Mathura Prasad Bhatt	Kotma
Parmananda God	shri Balkrishna God	Kaviltha
Rameshchandra Bhatt	shri Chet Ram Bhatt	Kaviltha
Suresh God	shri Maheshananda God	Kaviltha

**TRANSLATED FROM HINDI ORIGINAL
LETTER FROM AFFECTED PEOPLE ABOUT CONCERNS REGARDING THE PROPOSED MADHYAMAHESHWAR SMALL HYDRO
PEOJECTS IN RUDRAPRAYAG, UTTARANCHAL**

Letter Head:

Village Panchayat²⁴ Chunni Mangoli

Block: Ookhimath, Janpad - Rudraprayag (Uttaranchal)

Mrs Anjana Rawat
President

Village: Chunni, Post: Ookhimath
Block Ookhimath,
Janpad Rudraprayag (Uttaranchal)
Ph: (01364) 264 523

Date: May 27, 2006

To:

The President, Asian Development, Manila, Philippines

Chief Executive Officer
Uttaranchal Jal Vidyut Nigam
Dehradun, Uttaranchal

**Subject: Madhyamaheshwar Small Hydro Projects
in District Rudraprayag (Uttaranchal) India**

Respected Sirs,

We are affected people from the above project area. In the context of this project you had called a meeting on Feb 27, 2005. In the meeting, rather than giving information about the impacts of the project, some oral discussion was held about the benefits of the project, etc. Sometime thereafter a pamphlet about the resettlement aspects of the project was given to the president of the Chunni Mangoli village panchayat.

What will be the impacts of the tunnels and pipelines of the project on the houses, forests, water sources? What will be impact on the environment of the area? What will be impact on the animals, fish species, etc in the river? What will be the social and economic impacts of the project? How many people will work on the project and where will these people come from? What kind of employment will be provided by the project to the local people? Will there be a training centre for the employees, so that our people who are getting affected by the project they get employment as per their qualifications? What will be the impact of the project on the freedom of the women? If people from outside the area come than what will be arrangements for their stay, food, water, etc?

To get information about above issues is a right of the local people. How can you take up this project violating this right of the people? In the name of development you cannot neglect the rights of the people and environment of the area.

In this context we demand that:

1. Detailed report of the Madhyamaheshwar river valley, the environment impact assessment report of the project, and other related documents should be given to the affected villages in Hindi.
2. The documents should be explained to the local people by independent persons.
3. At least a month after the above two steps are taken, a public hearing should be conducted.
4. The public hearing should be conducted by independent eminent persons.
5. Till above steps are satisfactorily completed, no work on the project should be taken up.

We look forward to prompt response from you,

Sign, date and stamp:

President, Chunni Mangala Village Panchayat

Kalpeswari
Ranjendraprasad Shukla
Uma Devi
Kameshwar
Rakes Chandra
Prakash Chandra

²⁴ Village Panchayat President is elected through legally mandated periodic elections and heads the village government.

**TRANSLATED FROM HINDI ORIGINAL
LETTER FROM AFFECTED PEOPLE ABOUT CONCERNS REGARDING THE PROPOSED MADHYAMAHESHWAR SMALL HYDRO
PEOJECTS IN RUDRAPRAYAG, UTTARANCHAL**

Letter Head:

President, Village Panchayat²⁵ Giriya

Block: Ookhimath, (Janpad - Rudraprayag)
Uttaranchal
Kunwar Singh Rawat
President

Village: Giriya, Post: Mansuna
Janpad Rudraprayag (Uttaranchal)

Ph: M: 94111 79184

Letter No: _____

Date: May 27, 2006

The President
Asian Development,
Manila, Philippines

Chief Executive Officer
Uttaranchal Jal Vidyut Nigam
Dehradun
Uttaranchal

Subject: Madhyamaheshwar Small Hydro Projects in District Rudraprayag (Uttaranchal) India

Respected Sirs,

In the context of Madhyamaheshwar small hydro electric project you had called a meeting on Feb 27, 2005 on the terrace of a shop in Kund village which is far away from the affected villages. In the meeting that lastly barely an hour there were four persons only from Giriya and Mangoli (Chunni) villages. There has been no collective meeting of all the villages coming in the project affected area namely, Mansuna, Giriya (Sarun), Pali (Sarun) and Chunni Mangoli. Nor have you given any written information about the environmental, social and economic impacts of the project.

Till date, trusting oral words, we also gave you the no objection certificate. However, from you we have only received a 6-7 page pamphlet about the resettlement aspects, when we should have got the details project report. We do not know what you have written about the good and bad effects of the project on the environment, social and economic aspects of the area.

We have not been told where will the muck from the tunneling sill be disposed, what will be the impacts on the agriculture and horticulture? What will be the impact on temperature, wild animals, river biodiversity, water sources, and houses? No information has been given about the blasts from the tunnels. What kind of employment will be provided, what will be share of local people in jobs provided, what will be the impacts in case of the bursting of canal/ tunnel, or destruction of dam or the pipe, what protective measures are planned? Will outsiders come to work, how many of them will come, how long they will stay? What will be the impacts of the same on the freedom of the women?

We expect that answer to all these issues will be there in your documents and surveys & plans. Hence we are demanding the following from you:

1. The detailed project report, environment impact assessment report & other survey reports should be made available in Hindi to all the affected villages like Giriya (Sarun), Pali (Sarun), Chuuni Mangoli etc.
2. These documents should be explained to the local people by independent persons.
3. At least a month after this a public hearing should be conducted in the affected villages.
4. The public hearing should be conducted by independent eminent persons.
5. Till all the above steps have been satisfactorily completed, no money should be given for the project and no work on the project should be started.

If some project is taken up in our area, that claims to be for development, than it is our right that we get to know and keep all the information about such project. This will help us protect our rights. The project may be for a few years, but we have been staying here since generation and will continue to stay here.

Looking forward to your prompt response,

Sign and stamp
Kunwar Singh Rawat,
President, Giriya village Panchayat
May 27 2006

²⁵ Village Panchayat President is elected through legally mandated periodic elections and heads the village government.

ANNEX 2

ADB RESPONSE TO SANDRP CRITIQUE OF UTTARANCHAL POWER PROJECT

DATE: June 23, 2006

To: Himanshu Thakkar, South Asia Network on Dams, Rivers, and People (SANDRP):

Subject: Critique of ADB Uttaranchal Power Sector Investment Program Multi-tranche Financing Facility

ADB has reviewed the critique of the Uttaranchal Power Sector Investment Program (the Program), the letters signed by residents that will be potentially affected by the small hydropower plants (SHPs) to be funded under the Program, and the comments submitted to the validator on the Clean Development Mechanism (CDM) Project Design Documents for the SHPs. ADB offers the following response.

A. Consultation and Public Disclosure

The ADB and the Government of India (GOI) are committed to full disclosure and democratic dialogue on all projects, as reflected in ADB's Public Communications Policy and the GOI Public Information Act.

The Program has been subject to internal safeguards review during processing and presently is in full compliance with ADB environment and social safeguards. A summary environmental impact assessment was made publicly available in May 2005. To date, no specific comments on the SEIA have been received, other than a reference in SANDRP's critique submitted nearly one year after the SEIA was posted on the ADB website.

The primary responsibility for additional consultation and disclosure rests with the Uttaranchal Energy Department (the Executing Agency for the Program) and the Uttaranchal Jal Vidyut Nigam Ltd. (UJVNL, the owner of the small hydro projects). Any complaints should be channeled through these agencies. In addition, ongoing consultation and disclosure will be addressed via Grievance Redress Committees to be established in project-affected areas.

On 30 March 2006, the ADB Board of Directors (the Board) approved a multi-tranche financing facility (MFF) for the Program, not a loan. The MFF is a standby letter of credit, against which individual loans may be made if all terms and conditions agreed to by ADB and GOI are fulfilled. Individual loans for the specific projects are yet to be signed, and compliance with ADB safeguards and GOI regulations governing the proposed investments must be fulfilled before any loans can become effective.

B. Critique on the Uttaranchal Program Based on the Report and Recommendation of the President (RRP)

The critique is based on 2 major issues: (i) the viability and need for investment in hydropower development in northern India in general and Uttaranchal in particular, and (ii) public consultation and disclosure. As noted above, the issues raised about public consultation and disclosure are to be addressed going forward based on existing ADB safeguards and GOI legal and regulatory framework.

The viability of the Program is questioned on the premise that there is no significant power deficit in the Northern Region and that deficits can be made up by import of surplus power from the Northeast and Eastern Regions and more efficient system operations. Given SANDRP's criticism of the environmental and social impacts of hydropower plants, this assertion has little merit because the surplus power in the Eastern and Northeastern Regions is from large hydropower plants (and fossil fuel plants). Further, significant transmission bottlenecks between Eastern, Northeastern and Northern Regions have to be removed to make such a long-distance transfer of power economically competitive. ADB's economic analysis considered these issues and concluded (through 3 review cycles) that the Program is a least-cost option for alleviating power deficits in the Northern Region. Central Electricity Authority (CEA) and Ministry of Power (MOP) have endorsed the Uttaranchal power development strategy on similar bases.

We agree with SANDRP that reducing system losses from current levels (44%) to international benchmarks (15%) is important,**

and ADB has emphasized the need for aggressive action to reduce losses to international benchmarks. System losses are being systematically addressed through tariff orders issued to the Uttaranchal Power Corporation Ltd. (the distribution licensee) by the Uttaranchal Electricity Regulatory Commission (UERC). The Power Transmission Corporation of Uttaranchal Ltd. (PTCUL) is making parallel investments in transmission system upgrades to reduce transmission losses to international benchmarks.

Regarding ADB's financial analysis, please note that financial viability is based on the financial internal rate of return (FIRR) being greater than the weighted average cost of capital (WACC). Under the worst case scenarios, the proposed investments analyzed are financially viable.

The critique of the CDM potential for the small hydropower plants includes an important factual error. SANDRP states that "such projects are supposed to follow the guidelines of the World Commission on Dams [WCD] to earn carbon credits." Yet no such linkage between CDM and World Commission on Dams (WCD) exists, and even if such a linkage did exist, the proposed SHP designs do not include dams.

SANDRP's assertion that ADB is making a "disguised attempt to fund large hydropower plants" has no basis in fact. Likewise, the assertion that "...ADB is not prepared to provide any answers" is baseless. ADB is committed to disclosure of information about its operations, as evidenced by its policy and this reply.

C. Critique on the CDM Project Design Document (PDD) Validation

The critiques raised are similar to those noted above, with the exception that no mention is made of the alleged linkage between CDM and WCD. In addition, SANDRP has asserted – incorrectly – that CDM revenue will cause the FIRR of the SHPs to go down. That is simply not the case. A more complete response on the PDD comments is being prepared under separate cover.

** Using data presented in Tables 2 and 6 of SANDRP's critique, reducing the system losses from 44% to 15% would result in savings of 1,244 Gigawatt-hours (million units), based on 2005-06 in-state generation (Table 6). This is equivalent to only 6.25% of the unmet energy demand in the Northern Region for 2005-06 (Table 2), thereby disproving the claim that there is no need for large investments in generating capacity.

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ANNEX 3

Story by POINT CARBON ON INDIAN SMALL HYDRO CDM PROJECTS INCLUDES REFERENCE TO PROJECTS UNDER REVIEW IN THIS CASE STUDY

June 22, 2006

NGOs pressure validator to shoot down Indian hydro CDM project

The worthiness of several potential Clean Development Mechanism (CDM) in India are being called into question by pressure groups, who are urging validators not to give the green light to several run-of-river hydro schemes that have been approved by the Indian Government.

German validator TÜV Nord will visit the Bhilangana Hydro Power Project in the northern state of Uttaranchal next month before deciding whether the run-of-river hydro project can be submitted to the Executive Board.

A negative decision could make it difficult for other hydro projects in the country to proceed to the next stage of the CDM, suggested the International Rivers Network (IRN), a US-based non-governmental association.

"The other hydros in Uttaranchal - Kaldigad, Madhyamaheshwar and Kaliganga being validated by DNV (Det Norske Veritas) - should certainly be affected. The problems in their PDDs are almost identical to those in the Bhilanganga PDD. If TÜV rejects Bhilanganga but DNV approve the others, or vice versa, it would at the very least raise serious issues of DOE consistency," said Patrick McCully, executive director of the IRN.

"And if either is accepted it raises serious questions over whether validators have any interest in being anything other than rubber stampers for developers," McCully added.

TÜV Nord, the validator of the project, said it was continuing to examine the stakeholder consultation process in the Bhilangana and had not yet come to a conclusion on whether the project should be included in the CDM.

"If the project meets all the modalities of the CDM then it will be validated," said TÜV Nord's office in Mumbai. However, another NGO, the South Asia Network on Dams, Rivers & People, has claimed that the project design document is "shockingly misleading."

"The project developer (Swasti Power Engineering Ltd) has not done any satisfactory consultation with the people in the affected villages. The local people have not been given any of the project documents like the detailed project report, have not been given the full environment impact assessment or environment management plan in the language that they can understand. Nor have the people been told in full about the adverse impacts of the project," Himanshu Thakkar, a coordinator with the NGO, said.

"This is a clear violation of the rights of the people and also violation of the CDM norms for consultation of the stakeholders and the local people. The claim made by the proponents in the CDM PDD in this regard (section G 1) is misleading. Until this is corrected, the project should not be validated," Thakkar added.

NGOs also claim that the project will have a major environmental impact on the local population and that the hydro power plant isn't even additional. Furthermore, they claim that protests from people living near the project have provoked a violent response from contractors employed by Swasti Power Engineering Ltd.

The project developer has rejected these claims, responding that the impact of the hydro plant would be 'extremely minor' and that the scheme would contribute a wide range of benefits to the local area.

"It's a people-friendly project, and opposition to it has been motivated by NGOs, some of whom represent western interests and don't understand the many positive aspects," Raveendranath Reddy, managing director of Swasti Power Engineering Ltd, told Point Carbon.

The doubts raised about the suitability of the Bhilangana project is the latest of a series of controversies involving CDM projects in India and the standard of stakeholder comments in particular.

Some buyers of carbon credits in Europe have complained that projects approved and validated in India will fail to gain registration from the Executive Board.

London

India

**ADB Safeguard Policies in Urban Development:
The Case of Urban Infrastructure Development
Projects in Karnataka, India**

By Gururaja Budhya, Urban Research Centre, Bangalore, India

Executive Summary

The Ministry of Urban Development (MUD), Government of India undertook an Urban Sector Policy Analysis in 1994 in association with the Asian Development Bank (ADB). Facilitating the commercialization of urban infrastructure and alternate forms of service provision, including privatization and public private partnerships, has been one of the general agreements between the Government of India and the ADB.

Karnataka State, India has been receiving financial assistance through Technical Assistance (TA) and Project Loans for urban infrastructure development projects. The Government of Karnataka has justified the loans as an input to meet the requirements of infrastructure investment. Such development projects have been guarded by the policies of implementing government and the policies of the ADB.

The current safeguard policies (Environment, Indigenous Peoples and Involuntary Resettlement Policies) of the ADB require that the impacts are identified and assessed early in the project cycle; adverse impacts are avoided, minimized, or mitigated; and affected people are consulted.

The urban infrastructure development projects in Karnataka (first one is already completed, second one is ongoing implementation and the third one is in still in the pipeline) have aimed at providing and upgrading essential urban infrastructure and services, including development of slum areas. However, civil society organizations have been criticizing the projects for generating adverse environmental impacts, and for its non-participatory and top-down approaches. This case study looks into the ADB-funded urban infrastructure development projects in Karnataka and the implementation of the ADB safeguard policies.

The case study looks at the following components of the infrastructure development projects: environmental sanitation, water supply rehabilitation and expansion, improving urban environmental quality, and preparation of a coastal resource management and conservation plan. It has been observed that the initial environmental examination was only carried out. The project planning has failed to incorporate the impacts of water supplies on urban water sheds, contamination from solid waste dump sites, tree cutting due to reforms that led to tax increase on open lands, etc. The case study observes that the policies and projects of the ADB fail to deliver what they propose.

Gururaja Budhaya
Urban Research Centre, Bangalore, India

Introduction

Since 1995, the Asian Development Bank (ADB) has approved seven projects in the urban sector of India, totaling US\$1.58 billion in August 2003. Most of the projects were integrated in nature. India is one of the largest borrowers of the ADB. During the last decade and a half, the ADB has been actively involved in supporting the government's reform initiatives through loan assistance totaling US\$11.5 billion and TA grants totaling US\$85 million.

The bulk of past assistance went to energy projects (35 percent), followed by projects in transport and communication (30 percent) and urban infrastructure (12 percent). The Country Strategy and Program for India has presented an even more ambitious program for 2003-2006 for a total of US\$7.5 billion, or approximately US\$1.9 billion per year. Urban sector projects have accounted for about 13 percent of the proposed loan pipeline.

ADB's proposed assistance program for the period 2006-2008 reflects that priority is on infrastructure projects (transport, urban, and energy) accounting for nearly 77 percent of the three-year pipeline; transport projects account for the bulk (36 percent), followed by urban sector operations (21.2 percent), and energy sector projects (19.8 percent). The relative size of infrastructure (transport, urban, and energy) projects in ADB's assistance program has increased from 69 percent of the 2005-2007 pipeline, as proposed in the 2004 country strategy and program update (CSPU), to 77 percent of the 2006-2008 pipeline. (ADB, CSPU 2006-2008, ADB, point no. 10).

While ADB's assistance to India began in 1986, the first loan to the urban sector, namely Karnataka Urban Infrastructure Development Project, was approved only in 1995. Initially, the government was reluctant to borrow for the urban sector because of India's lack of access to the Asian Development Fund (ADF) resources, given that urban projects often include components to address basic human needs and direct poverty reduction. In addition, the successive five-year plans of the government in the past stressed rural development in general and neglected balanced urban development because more than 70 percent of the population reside in rural villages.

However, with the passing of the 74th Constitutional Amendment in 1992, the urban sector has gained importance, both politically and economically. The potential of the urban sector as the engine of economic growth has also been clearly recognized, as the excellent performance of the economy in the 1990s was largely due to the ability of the urban sector to attract investment and increase productivity. In fact, the estimate of the contribution of urban areas to gross domestic product

was 55-60 percent, which was well above the level of urbanization (28 percent in 2001).

The ADB-assisted urban sector projects have been implemented in India and the total financial commitment of the ADB in these projects is close to US\$1.3 billion. Of the seven projects, three are loans to national financial institutions for lending to eligible borrowers in the housing and commercial urban infrastructure sectors. The remaining four are integrated urban development projects for selected state and local governments to improve basic urban infrastructure. The components in the integrated projects are multiple and range from water supply and sanitation, urban roads, and slum improvement to providing public toilets, kitchen markets, and fire-fighting equipment.

With the exception of the Kolkata Environmental Improvement Project, each project covers several towns. There are six in Karnataka Urban Infrastructure Development Project and Rajasthan Urban Infrastructure Development Project and 10 in Karnataka Urban Development and Coastal Environmental Management Project. The urban component is also an important part of the Gujarat Earthquake Reconstruction and Rehabilitation Project (GERRP) to rehabilitate water supply and sewerage, roads, housing, and power distribution in 14 earthquake-affected towns. (ADB, 2003)

Urban Development in Karnataka

Karnataka is the sixth most urbanized state in India with an urban population of 13.9 million in 1991, accounting for 31 percent of the state's total population. About one third of the state's urban population lives below the poverty line. The state capital of Bangalore, with a population of about 4.7 million, is one of the fastest growing metropolitan areas in the country. (point 5)

Although Bangalore has been Karnataka's center of urban and industrial growth over the past two decades, the state has recognized that the social and economic development potential of other principal urban centers has not been realized. This is principally due to the absence of adequate levels of investment in urban infrastructure and basic services. In particular, the state has identified the coastal region, with Mangalore constituting the primary urban center, as a priority area for investment (point 6, page 2).

Karnataka's urban policy, which was defined in its Eighth Five-Year Plan (1992-1997) and carried over to its Ninth Five-Year Plan (1997-2002), aims at promoting 'planned urbanization' and 'regulated urban growth'. The strategies for achieving these policy objectives have been outlined in the Urban Development Strategy for Karnataka State, prepared in 1994. (point 10)

The Urban Development Strategy identifies the main components of urban development to constitute: (i) basic infrastructure, such as water supply, drainage, waste disposal, lighting, streets, market places, and commercial facilities; (ii) transportation and communication networks; and (iii) sufficient space for housing development and infrastructure expansion. (point 10)

The state has clearly identified the West Coast as a priority area for infrastructure investments accompanied by policy interventions to promote sustainable urban, social, and economic development. The Department of Housing and Urban Development's 1994 concept paper, "Paper on Urban Development Program in the West Coast Districts of Karnataka," highlighted the need for an urban infrastructure investment program to promote sustainable development of the region, to achieve balanced physical, social and economic development, and to enhance the quality of life in the region. (ADB, 1999, para 11, page 4)

The ADB in Karnataka

The preparation of Urban Sector Policy Analysis in 1994 by the Indian Ministry of Urban Development, in association with the ADB, has begun the facilitation of commercializing the urban infrastructure and alternate forms of service provision, including privatization and public private partnerships. The agreement of Karnataka Urban Infrastructure Development Project (KUIDP)¹ is considered as a milestone for urban development because of the inclusion of policy reforms intended to support the central and state governments' efforts to decentralize urban management responsibilities, including resource and revenue generation, and improving Operation and Management (O&M) of assets.

The KUIDP focus was to formulate an integrated urban development strategy for the Bangalore sub-region and preparing a project that would enable the development

of selected 'counter magnet' for urban locations/growth centers and reduce the pressure on Bangalore. The fundamental objective of the Project is to promote decentralization of population growth and economic activity in Bangalore by addressing the basic infrastructure deficiencies and related environmental aspects in selected urban areas in the Bangalore sub-region namely, Channaptna, Mysore, Ramanagaram, and Tumkur. The other objectives are to build capacities of urban local governments and provide financial assistance for housing to the low-income groups. (ADB, 1995)

The Karnataka Urban Development and Coastal Environment Management Project (KUDCEMP)² states that in line with discussions with the ADB, the Karnataka State has established a block tariff system for water supply that includes a sewerage surcharges for towns with waste water treatment facilities to promote greater cost recovery for urban services (28, page.9, RRP: IND 30303).³

The focus of the KUDCEM project is to improve the living conditions in urban centers located along the West Coast of Karnataka. The objective of the project is to optimize social and economic development in 10 urban areas of west Karnataka by supporting investments in urban infrastructure and services required to meet basic human needs, and facilitating policy reforms to strengthen urban management.

The goals include: (i) achieving sustainability in the operation and maintenance of infrastructure, as well as the delivery of urban services, by strengthening the urban management capacities of local governments, particularly in the areas of resource generation and cost recovery; and (ii) establishing appropriate environmental planning, management, and monitoring mechanisms to address the potential environmental impacts associated with urban and industrial growth in the region. (ADB, 1999)

¹ **Project Name:** Karnataka Urban Infrastructure Development; **Date Approved:** 14th December 1995; **Estimated completion date:** ?; **Loan No:** 1415; **Loan Amount:** US\$ 85,000 million; **Borrower:** India; **Term (Years) including Grace Period:** 25 (5); **Interest:** Variable; (Loan from Ordinary Capital Resources)* **Classification:** Primary – Human Development; Secondary – Reduction of Poverty (ADB, 2004). This project covered Tumkur, Ramnagaram, Channaptna and Mysore towns. This project covered the components of environmental sanitation; road improvement and truck and bus terminals; poverty reduction; development of industrial sites and services; implementation assistance and institutional strengthening; and low-income housing finance.

² **Project Name:** Karnataka Urban Development and Coastal Environmental Management; **Date Approved:** 26th October 1999; **Estimated completion date:** 31 December 2004; **Loan No:** 1704; **Loan Amount:** US\$ 175,000 million; **Borrower:** Housing Development Finance Corporation; **Term (Years) including Grace Period:** 25 (5); **Interest:** Variable; (Loan from Ordinary Capital Resources)*; **Classification:** Primary – Human Development; Secondary – Environment (ADB, 2004). This project is presently covering 10 coastal towns in Karnataka. The goals of this project include: (i) achieving sustainability in the operation and maintenance of infrastructure, as well as the delivery of urban services, by strengthening the urban management capacities of local governments, particularly in the areas of resource generation and cost recovery; and (ii) establishing appropriate environmental planning, management, and monitoring mechanisms to address the potential environmental impacts associated with urban and industrial growth in the region.

³ ADB, RRP : IND 30303, *Report and Recommendations of the President to the Board of Directors, Karnataka Urban Development and Coastal Management Project*, Manila: ADB, September 1999.

Research Methodology

The author has been involved in urban governance projects in coastal Karnataka since year 2000. Much of the information for the case study is obtained through participant observation method, through the interactions with citizens associations, inter-city meetings and field visits during 2000-2006 (till date).

The information for the case study has also been obtained from various reports, such as the Report and Recommendations of the President to the Board of Directors (RRP), technical assistance reports and other documents of the ADB. Specifically, the case study draw information from field visits to project towns, discussions with citizens associations of project towns, published and un-published notes or articles, reports of the ADB and KUIDFC.

Positive and Negative Impacts

The experiences of citizens in project towns reveal the impacts at different levels. The primary level is the way the project works have been carried out. The following provides various examples of the projects' impacts.

The KUID Project

1. In Ramnagaram

The bus stand was constructed outside the city (towards Chenpatna). The bus operators in Ramnagaram did not favor the location, as it was outside the city. Even after the completion of the project, the bus stand was not used. Recently, the bus stand has been sold to Karnataka State Road Transport Corporation (KSRTC). The original purpose for which the city bus stand has been constructed was not achieved. The original land use of the project site was agriculture, with an area of three to four acres.

The sites and services component has developed two sites that used to be agricultural lands. Both sites are far from the city and have not been occupied so far due to the distance and the cost. The primary works that have been carried out has constituted dead investment. (Near the hillock at Kempegowdana Doddi, about 10 acres, originally a mango orchard, still vacant; on Hunsanalli road, about four acres, originally agriculture land, re-converted to sites to distribute to beedi workers).

The wastewater treatment plant constructed in the outskirts (further to the new bus stand) has not been functional even after completion; but is functional from the past one year it has been running with private sector participation. (Original land use: government land.)

The solid waste management location for the city that has been identified (towards Chenpatna) is next to an

urban poor settlement. The creation of this site next to the human settlement is causing health concerns due to pollution. The waste is only dumped and is not treated. This has further caused leachates to contaminate ground water sources in the area. This kind of waste segregation has been happening for the last three months.

The laying of underground drainage has caused many problems, as the roads were dug for a long time. It is observed that this has caused inconvenience and respiratory allergies.

2. In Chenpatna

The sites and services component developed agricultural lands. These sites have not been bought due to high costs and their distance from the city. About 52 acres of land, originally agriculture land, have been converted and not yet occupied.

The sewage water of the city is not treated, contaminating the neighboring lakes on north and south side. The solid waste management component has focused only on dumping the wastes into a pond. This has created air pollution to the families residing nearby and contaminating the ground water resources. It has been learned that the solid wastes of Chenpatna are supposed to be treated at the Ramnagaram site. But presently, the wastes are not dumped into the pond, but are disposed either on the interior road sides or low lying areas.

The laying of underground drainage has caused many problems, as the roads have been dug for a long time. It is observed that this has caused inconvenience and respiratory allergies.

3. In Tumkur

The laying of underground drainage and water lines has caused many problems as the roads were dug for a long time. It has been observed that this has caused inconvenience and respiratory allergies.

Stakeholders have complained that the drainage project was a waste due to consultants' mismanagement in Tumkur. The broken water pipes and leaking sewage have caused problems to citizens. The Lokayuktha (Ombudsmen of Government of Karnataka) has investigated the complaints and has submitted a very adverse report to the Government of Karnataka about the officials and consultants (NGO Task Force, 2004).

The solid wastes are being dumped in a tank bed that has contaminated the ground water resources. The truck terminal that was constructed outside Tumkur has been reallocated (after the completion of works including the facilities) as sites.

4. In Mysore

Roads: Roads were planned to be upgraded (strengthened/widened and brought to specifications with regard to the wearing course, drainage, footpaths and parking), and 49 city roads have been identified along with certain roads that would form an Intermediate Ring Road (IRR) within the city. Road intersections were also improved for smooth traffic flow and to minimize accidents. Also, a new 19-km road on the western periphery of the city would be constructed to form the city's four-lane Outer Ring Road (ORR), including four road under bridges (RUBs), where the ORR would intersect existing railway lines.

Several times, local residents have protested on the streets, stopping work that they opined was substandard, and demanding official attention. They pointed out the inappropriateness of work specifications, and on one occasion, the road designer (Prof. C.E.G. Justo, University of Bangalore) was called to Mysore from Bangalore to discuss planning and quality control issues raised by the people. The planning of road intersections, provision of road drainage and footpath specifications were also subjects of protests from the public.

During the conduct of work, several individuals and Mysore Grahakara Parishath (MGP) have repeatedly met with officials. They demanded that a special monitoring group, including citizens (doing honorary work) and officials, be formed to advise the IAs about planning aspects, work quality and progress of the works. This was never implemented, and the work has continued without adequate supervision and poor quality control.

The ORR was planned by Mysore Urban Development Authority (MUDA) on the maps, which showed that about two-km of the road project would pass through the large Lingambudhi Lake. Even though this was pointed out and objected to by civil society groups just on time for the IA (MUDA, in this case), no action was taken to re-align the ORR. It became necessary for a major mobilization by hundreds of citizens against MUDA's inaction to get the ORR re-aligned to save the Lingambudhi Lake. Notably, after the road was re-aligned and the lake was saved, MUDA has blamed civil society organizations that agitated the local citizens for the delay and cost overruns.

Storm water drainage: Existing storm water drains were cleared of years of silt and other garbage accumulation. But in most cases, such were left piled on the side of the storm water drain instead of being removed from the site. Rainfall has caused this material to fall back into the drain. This has been pointed out to the IA, but still with no effect.

Solid waste management: With a garbage load of 320 TPD and 682 TPD projected for 2011, a composting plant of 200 TPD capacity would be installed, together with 207 large (4.2 m³ capacity) stone masonry garbage bins and 30 nos 3.75-m³ capacity metal containers. The existing 24 tractors and five trucks would be supplemented with seven tippers, six dumpers, nine tractors, 250 tricycles and one backhoe loader.

MGP and some individuals has protested to the IA, i.e. Mysore City Corporation (MCC) and M/s Dalal Consultants, that the 4.2- m³ capacity bins (over 200 nos) constructed were too large and were unsuited for clearance principally because of the depth.

Water supply: The availability of water was 140 MLD and has been augmented by 50 MLD from the Cauvery River by pumping from Melapura through an 11-km long pressure line. However, there has been no planning for upgrading the distribution system within the city. Even though this was pointed out during a meeting organized by KUIDFC in April 1998, the work proceeded. The benefit of water supply augmentation did not reach many areas of the city that had to continue to depend on low quality ground water until year 2003. As of February 2006, there have been areas in the city that have not received water from Cauvery River.

Loss of road asset. The available funds are insufficient to maintain city roads to acceptable standards. When 49 city roads and IRR works were executed to "international standards" as required under ADB-funded works at a cost of about Rs20 crores, the funds required for maintenance have been much higher and available funds has become grossly insufficient. The result was that the road surface has reverted back to the old condition in two year's time due to lack of maintenance. Thus, the assets created out of ADB funds have served for merely two years (depending upon the quality of the work); whereas, the loan liability of around Rs.20 crores has remained for 25 years.

Most of the 48 internal roads and the Intermediate Ring Road of Mysore that were upgraded using ADB funds reverted back to their poor condition within two years of completion. Said roads have remained in poor condition at present. This has reflected poor planning by all authorities at various levels. The assets created using ADB funds were effectively lost while the loan liability has remained.

Environmental impacts. The large Lingambudhi Lake is in the south of Mysore City. Along with other lakes in the city, this lake is part of the natural recharge and storage system of ground water that affects the water supply of the city.

The ORR planned for execution by MUDA with a loan from the ADB was initially aligned such that it has bifurcated the lake. All requests from civil society to MUDA to realign the ORR to save the lake have met with delaying tactics. When ADB officials visited Mysore repeatedly, they did not check the environmental viability of the ORR. They were unaware of the problem until a member of MGP went after Mr. Nitin Patel (then ADB's Representative in India) in Bangalore and forced him to hear the facts about MUDA's violation of environmental norms. As a result, but not without a struggle involving many citizens, the alignment of ORR was changed in May 2000 and the lake was saved. But two things happened: one, the work on ORR was delayed with escalation of cost; and two, MUDA blamed civil society for the delay and cost overruns.

Water supply: Even though water supply was augmented, citizens in many areas of the city have continued to suffer acute water shortage or have been supplied with low quality ground water as water distribution mains were either not existing or were not repaired. The problem has persisted even after augmentation. As of February 2006, problem has persisted in several areas of the city. However, even without means to supply water to these areas due to lack of distribution mains, water was being pumped regularly, resulting in enormous water wastage and huge electricity bills for pumping. The loan amount spent has thus not served its purpose; whereas, the loan liability has remained. Finally, MCC has raised the water tariff and further has burdened citizens.

Garbage bins: Over 200 nos of 4.2- m³ capacity bins were constructed in spite of protests by civil society groups to the IA (MCC) and M/s Dalal consultants. Such were too large and were unsuited for clearance. Only upper layers of the garbage were cleared, leaving matters below to rot that have caused foul smell and have continued to pose health hazard. Further, these large bins were the haunts of pigs and other animals that came to feed. Accordingly, MCC had them dismantled, notwithstanding that they had been constructed against protests at taxpayers cost. This has once again showed an instance where the investment was completely lost while the interest liability has remained.

Excel Plant: A 200-TPD plant to treat and segregate garbage, the so-called Excel Plant, was installed and began to receive garbage. Due to a combination of a faulty contract drawn up by MCC between itself and the private operator, and that the garbage delivered at the plant have been mixed with an unacceptable percentage of building debris that would harm the machinery, the plant has stopped working and has been inoperative since January 2005. The city garbage has continued to pile up near the plant in stinking, fetid mountains. At the same time, garbage from various wards has been burned *in situ* in violation of extant laws, causing serious health hazard. The entire process as of February 2006 has been

on a standstill; the machinery has been deteriorating due to non-use and/or non-maintenance and would soon be junked; whereas, the liability of the ADB loan has remained. Efforts and interventions of MGP to restart the process have failed. (Vombatkere, 2004)

The KUDCEM Project

1. In Mangalore

The transmission and distribution system of water supply has doubled. However, water source has not been augmented because of wrong estimate of its storage capacity. The project report prepared by ADB's consultants and NEDECO of the Netherlands depended on old data to estimate the holding capacity of the existing Vented Dam across the Nethravathi River. It estimated the capacity of the dam as 9.6 MCM which would be sufficient to take care of the entire water requirement of Mangalore and Ullal until 2026. But in 2003, there was a shortage of water that prompted the Mangalore City Corporation to reassess the storage capacity. It was a surprise to find that the storage capacity was only 4.9 MCM.

Thanks to the consultants. Their exaggerated calculations justified the investments in additional distribution system. The additional distribution system has emptied water at a quick rate, as the storage has remained the same. Neither the ADB nor the IA have owned up the mistake and instead, have passed on the burden of planning for the new dam on the Mangalore City Corporation.

The work on underground drainage component has been slow. Incompetent contractors, who were selected through international bidding and with the approval of the ADB, have contributed to the poor quality of work.

The project components, like slaughterhouse, public toilet, etc., have been facing problems on location, design, public objections, etc.

The solid waste management location has been on a hillock in the outskirts of Mangalore. The leachate of the dumpsite has continuously flowed into the Gurpur River.

There have been complaints regarding the location of wastewater treatment plants in Kavur and Bajal.

The construction of latrine pits (under KUDCEMP) in Tota-Bengare (ward no. 60, a sand pit formed between the Gurpur River and the Arabian Sea), Mangalore. People have depended on hand pumps (water availability is by four feet) for drinking water. The project has planned piped water supply and construction of latrine pits. The implementing agency has not analyzed the situation and the impact of providing piped water supply and the latrine pits from the local fresh water resources. Instead, the

project went ahead with the construction of latrine pits and laying of the water supply lines. The people of Tota-Bengare have been on the receiving end, as their local water resources have been polluted due to external dependency on the piped water supplies.⁴

The stone-ware pipes received for laying in underground drainage (UGD) were found to have primary defects like ovality, non-uniform thickness, cracks, etc. that were unearthed by the Fact Finding Team of MCC. The third party inspection procedure, inspection conducted by ADB consultants and the implementing agency, has failed to ensure quality of work and material, irrespective of high costs.

Another issue is linked to 'valves', where the contractor brought valves of 'equivalent make' at 50 percent costs of standard valves.⁵ The durability of their 'equivalent' valves has not been known. Mangalore City Corporation rejected the material. In many places, UGD pipes and water supply lines have been laid at half their specified depth. "That these pipes are bound to crack under the pressure of heavy traffic in the future does not seem to bother any one" --though the KUDCEMP has claimed that the defective pipes were rejected. During inspection, the same pipes were found to have been laid at KHB Colony at Bondel, Mangalore.⁶

2. In Puttur

The projects that were completed two years ago have not been put to use, such as the new bus stand, new municipal office complex, marketing centers, etc.

The solid waste management system has been the same as before. The laying of pipes for drinking water supply has caused multiple problems for the citizens. It was not done along the old lines, resulting in breaking of pipes, making roads un-walkable and inaccessible to motor vehicles.⁷ The water supply to Puttur town has been drawn from the Kumaradhara River, which is tributary to the Nethravathi River, that has supplied water to Mangalore. Citizens fear that the water extraction upstream for Puttur would further affect the water availability for Mangalore in summer months.

The works related to the construction of storm water drains was unscientific, making the general public vulnerable to fall into the dug pits.⁸

3. In Ullal

The water supply pipelines have been laid throughout the town and refilled without the roads being brought to the original status. The water inflow to Ullal has been dependent on the Mangalore system.

Except the Panchayath building, the commercial complexes and the shopping malls have not yet been occupied.

The primary collection arrangement has not been done in the case of solid waste management. Garbage disposal has continued as before which has also been the case in other towns. (NGO Task Force on ADB Funded Project, 2006)

4. In Sirsi

Villagers opposed the building of a dam on the Aghanashini River near Balgar village of Siddapur taluk to provide water supply to Sirsi. Later it was decided to provide water to Sirsi without constructing the dam. The district collector, Member of the Legislative Assembly (MLA), Member of Legislative Council (MLC) and KUIDFC were allowed to go ahead with the scheme only after ensuring a minimum of eight MLD water from the source and remaining water to cater to the needs of Sirsi.⁹

The road works have been carried out in a haphazard manner without proper coordination with other departments. On one occasion, the roads have been laid out, but the road cuttings followed immediately after it.

Participation of stakeholders

1. The participatory approach in project implementation, which is highlighted in the reports and documents, means that people are expected to attend meetings whenever they are invited. In reality, it has been the discretion of officials or the IA to consider or accept the suggestions. This symbolic gesture has been restricted to a few programs of the project.
2. The slum residents, in specific, and the citizens in general have been excluded largely from planning and monitoring of physical works as the tasks have

⁴ Other wasted components are bus stand, sewage treatment plant and a layout in Ramnagaram, a layout in Channapatna, a truck terminus in Tumkur, a fish and mutton market and market complex in Sirsi, among others. There are many other examples where public money was spent in projects that have not been utilized.

⁵ Refer to note by Mr.Raghavan, Co-Convenor, NGO Task Force on ADB Funded Project, Mangalore, dated 30 September 2004.

⁶ "Exhibit 6, KUDCEMP – ADB Blunders Unearthed," *Mangalore Today*, Vol.8, Issue 7, October 2004.

⁷ Nithyananda Pai, Dr. C. "Public works, the cause of problems – ADB loan project," *Udayavani Daily*, in Consumer Protection Forum, Puttur, dated 6 August 2004.

⁸ "ADB Project – Drainage Work," *Udayavani Daily*, dated 17 May 2004.

⁹ Personal discussion with Mr. Paramananda Hegde, Consumer Protection Forum, Sirsi on 18 September 2005.

	Slum Improvement (US\$ million)	Total Project Cost (US\$ million)	% component of loan
KUIDP	2.26	80.28	2.82
KUDCEMP	8.51	251.37	3.39
RUIDP	11.5	362.00	3.18
UWSEIP	6.04	304.00	1.99
Total	28.31	997.66	2.84

been managed by the Project Implementation Unit (PIU) and Design and Supervision Consultants (DSC).

- The project is viewed as a technical answer to people's problems. The inputs from people into the planning process have been totally missing.
- The project planning process has been highly technical, non-participatory, non-inclusive, irrelevant to realities and has been based on outside expertise unfamiliar with the project region.
- It has been claimed that the identification of project sites and beneficiaries, especially the poor, and carrying out of works were according to international standards and procedures. However, the project has been unconvincing in terms of delivery of results to the poor.
- The high cost of public products like toilets, construction of community toilets in private compounds and slum improvement only benefiting certain individual beneficiaries rather than the community, and other issues, have raised concerns whether the benefits would really reach the poor.¹⁰

The study carried out by CURE and Water Aid on "Evaluating Implementation of ADB's Water Policy in India" made the following observations:

- NGO involvement in the project has been inadequate and has resulted in relatively weak community participation. The low level of community engagement can be held responsible for the lack of debate on critical issues in water supply and sanitation such as on land tenure, in the house services, tariff affordability, etc. This, in turn, meant less involvement by community, as services have not responded to their needs. (Center for Urban and Regional Excellence for Water Aid India, 2005, p.60)
- Despite three generations of loans, projects for the poor have continued to be designed as stand-alone packages rather than as conscious efforts to mainstream the poor by networking them to the expanding city systems. (Center for Urban, p.60)

- Only about one third (28 percent) of the estimated slums in the city have reached under the slum improvement packages. Pro-poor components have generally been funded out of the regular government resources, and not by ADB loans; as serving the poor using high cost loans is bad economics according to officials. In Karwar, sanitation services have been provided to slum dwellers under the LCS scheme (grant component) of the Gok and not from ADB loan. Karnataka RRP does not have a separate budget head for slums. Karnataka RRP does not provide a separate budget for slum services. (Center for Urban, p. 68)

Role of Consultants

It has been evident from Mangalore's experience that the consultants projected the wrong calculations about the water availability from source that justified the expansion of the water supply lines in the project.

In Mysore: In the ambience of official apathy and worse, concerned and informed citizens who have a right to expect good quality of work from the ADB and its consultants, have had to intervene innumerable times, spending time, effort and money to do what ADB-approved consultants of M/s Dalal Consultants did not or could not do, and have ended up bearing the debt burden. The planning of works by M/s Dalal Consultants was poor, and in many cases, it was the intervention of civil society members that has solved problems, even though most remain as a testimonial to M/s Dalal's poor performance.

Three glaring examples of poor planning by M/s Dalal Consultants are as follows: (1) water supply augmentation was planned without an adequate distribution system; (2) the ORR was planned as a four-lane width road; whereas, the RUBs were planned only with two-lane width; and (3) the garbage bins were planned impractically and were useless, and were dismantled by the MCC.

Quality control (QC) was noticeably poor and there were no quality assurance (QA) checks carried out after completion of the works as there was no provision for it. It has been understood that the consultants were paid a sum of Rs.13 crores out of the loan amount, for which the tax-paying citizen has continuously bore the liability.

¹⁰ "Exhibit 1, 2, 3, KUDCEMP – ADB Blunders Unearthed," *Mangalore Today*, Vol. 8, Issue 7, October 2004.

At the second level:

- The migrants and the poor have been more vulnerable due to the increased construction of buildings on vacant sites. The introduction of vacant land tax by the Government of Karnataka to raise resources and meet the assurances given to the ADB for the KUDCEM project, has contributed to the selling of vacant lands by owners. This resulted in new constructions, cutting of trees and inflow of more migrants. Mangalore has been Malaria-prone and the most vulnerable have been the migrant laborers living in areas, not having basic civic amenities.
- The municipalities were co-opted or forced to accept and repay the loan. The state agency conceived and implemented the project. *The burden of repayment has been an issue that will burden the citizens.*
- The *citizens and the elected representatives* have been *kept in the dark* without information on the KUDCEM project implementation. ADB projects *have negatively impacted on public participation and provided no benefits to the poor.*
- The *policy conditionalities and assurances*, as a part of reforms, *have violated the constitutional rights of citizens of India.* Water rates, property taxes and cesses have been raised without consultation with municipalities. ADB projects have promoted user charges that neglected the poor and private sector participation; *thus, violating the rights of citizens, urban poor and the constitutional legitimacy of municipalities* to perform their obligatory functions, as in the case of KUDCEM project.
- The *policy conditionalities* have gone in the direction of *increasing revenues*, ensuring a conducive atmosphere for charging services, bringing private sector and promoting the state agencies at the cost of local democracy.
- ADB projects promote decentralization in the direction of treating municipalities as service delivery agencies. ADB projects have also promoted parallel structures and special purpose vehicles (to implement projects) to separate the governance of water and other functions away from the purview of constitutionally mandated local governments. (NGO Forum on ADB, 2005)

The issues of water governance:

1. Water rights: The identification of stakeholders, non-government stakeholders and water users has been vaguely defined and interpreted. The traditional

control of communities over water has been systematically destabilized by allowing urban and industrial interests to compete for the access to water resources and creating conflicts by the KUDCEM project. For example, the summer months in Mangalore have caused water supply shortage from the Nethravathi River. The Nethravathi River Water Users Association and the other farmers have been ordered by the City Corporation and the District Administration not to get water. The livelihood of thousands of farmers has been under threat due to this recent development, and the expansion of water supply lanes under the KUDCEM project has ignored this sensitive and very important rights issues.

Similarly in Sirsi, the building of a dam on the River Aghanashini (near Balgar village of Siddapur Taluk) to provide water supply was opposed by the villagers. Later it was decided to provide water to Sirsi without constructing the dam. The district collector, MLA, MLC and KUIDFC were allowed to go ahead with the scheme only after ensuring a minimum of eight MLD water from the source, with the remaining water to cater to the needs of Sirsi.¹¹

2. Water management: The focus of the project has been to expand existing infrastructure to bring more water into the city. The calculations for expanding the water supply provision to Mangalore City were based on the TA report, where the consultants referred to an old report. The water availability at the vented dam was estimated to be around nine MLD. In the monsoon of 2003-2004, it was realized that the capacity of the vented dam was not even more than five MLD. The implementing agency has not taken responsibility for this improper planning. There has not been a consideration on conserving watersheds in the catchments. The thrust has been on exploiting and extracting the maximum surface water available.

The planning has also included providing water to the two neighboring towns, Ullal and Mulky. The capacity of the river to provide water and the rights of farmers has been undermined.

The project has calculated per-capita consumption of water according to international standards, which differentiates 135 LPD for a corporation resident and 55 LPD for a villager. The high consumption allocation has been questionable. Calculations for financial resources for water storage, distribution, infrastructure and maintenance have begun from this calculation. The loan amounts have been exaggerated by consultants that were not based on field realities.

¹¹ Personal discussion with Mr. Paramananda Hegde, Consumer Protection Forum, Sirsi on 18 September 2005.

All the solid waste management components of the project have been causing pollution to streams, wetlands and rivers due to the dump yard leachates.

3. **Health of city:** Thanks to the taxing on open and vacant lands, the rate of constructions has gone up in Mangalore in Karnataka. This means that the owners of the big plots have been selling their land to bring new constructions. This has been happening within Mangalore and in its peripheral areas. This has serious implications on the recharging of ground water and surface waters feeding into the Nethravathi River.

The improvement of living conditions of poor has been contradicted with the realities in the field. Mangalore, being one of the investment regions for construction, has been attracting migrant labor from the drought prone districts of Karnataka. These laborers reside in locations not conducive to living. These laborers settle in localities where already poor people have been residing or near the construction sites. The incidence of Malaria has increased since the last few years ever since vacant lands have been opened to construction.

Violations of ADB Policies and National Laws

Critique of the ADB Environment Policy

The Environment Policy was the last of the safeguard policies brought out by the Asian Development Bank (ADB) in October 2002. The policy was supposed to address five challenges confronting the environment, which have been required for ADB operations in developing member countries (DMCs). These challenges were as follows:

1. Helping to ensure that environmental resources, on which the poor depend on, are sustainably managed and that environmental quality is improved;
2. Enhancing the sustainability of the economic development process by correcting market and policy failures and bringing about institutional change to ensure accelerated flow of resources for environmental improvement;
3. Contributing to the maintenance of global life support systems and addressing regional transboundary issues;
4. Engaging a wide range of stakeholders to tackle more effectively Asia's environmental problems; and
5. Strengthening internal systems and procedures to address environmental considerations in ADB operations.

The policy highlights the concerns of the poor who bear the brunt of the environment degradation (point 2), the commitment of the bank (point 3) to meaningfully address these issues and importance of life-support systems (point 12).

The ADB acknowledges that the resource base is diminishing for urban poor, gradually ending up in cities. (point 6) But, the urbanization processes are blamed for the outpaced development and the poor are blamed for overcrowding settlements. (point 7) The policy projects is moving to a more proactive and strategic stance to assist DMCs to tackle environmental issues. (point 9). But on the other hand, the policy prioritizes economic growth, while balancing the protection of the environment, social development, improving living standards of the poor and reorientation of public sector to meet these new priorities. (point 9)

The policy blames the legal frameworks, institutions, policies, compliance, enforcement, property rights, subsidies, and non-PSP for curtailing economic growth. For this, Technical Assistance (TA) helps to build capacities of the DMCs. (point 11, 21) KUIDFC received a TA in 1995 for institutional strengthening.

The ADB claims that the environmental issues and considerations into its operations are mainstreamed into country strategies (point 18), which actually do not reflect in the urban development projects.

In the case of initial environment examination (IEE) and environmental impact assessment (EIA), the stakeholder consultations (point 20) are merely a symbolic exercise. The explanation in IEE is only about the impacts anticipated during the project works, improvement in quality of water and waste water due to the project, etc. The urban development projects are only categorized as 'B', which has only required an IEE.

The water availability in the Nethravathi River that provides water to Mangalore has been estimated by consultants to justify expansion of water supply pipes capacity that caters to the needs including three summer months. The delay of monsoon last summer has caused water shortage that has indicated the wrong assumptions of the TA report. The concerns of watershed management are not looked upon by the IEE.

The water supply to Puttur town has been drawn from the Kumaradhara River, which is a tributary to the Nethravathi River. Citizens fear that the water extraction upstream for Puttur would further affect the water availability for Mangalore during summer months. The expansion of water lines has also been done there.

In Mysore, though water supply has been augmented, citizens in many areas of the city have continued to suffer

acute water shortages or have been supplied with low quality ground water as the water distribution mains are either not existing or have not been repaired. However, even without means to supply water to these areas due to lack of distribution mains, water has been pumped regularly. This has resulted in enormous water wastage and huge electricity bills for pumping.

Along with other lakes in Mysore City, the Lingambudhi Lake has been part of the natural recharge and storage system of groundwater that affects the water supply situation of the city. The Outer Ring Road (ORR) has been planned for execution by MUDA with a loan from the ADB. The ORR has been initially aligned such that it bifurcates the lake. During their visits, ADB officials have not checked on the environmental viability of the ORR and have been unaware of the problem. Finally, the alignment of ORR has been changed in May 2000 and the lake has been saved. But two things happened: the work on ORR has been delayed, with cost escalation; and MUDA has blamed the civil society for the time and cost overruns. (Vombatkere, 2006)

The consultants have overestimated the water availability, planned interventions that affect local ecology without considering the waste impacts and conversions of existing land uses. This indicates that the ADB has weak control over the quality of work carried out by its consultants.

The policy has stated that the urban project designs must be flexible and the need to emphasize that environmental assessment is a process rather than a one-time report, so that necessary environmental analyses and management planning happen at appropriate times in the project cycle. (point 22)

This is a weak justification, as the ADB claims to be the knowledge provider that spends public money to engage 'specialists and consultants' for TA and loan implementation. The nature of environmental assessment has to be the strongest from the beginning. By justifying this to be a 'process' and acknowledging that unanticipated problems surface, the ADB is pushing and buying time to delay addressing serious environmental issues. (point 67)

The ADB's Environment Policy contains five main elements (point 24):

1. Promoting environment and natural resource management interventions to reduce poverty directly;
2. Assisting DMCs to mainstream environmental considerations in economic growth;
3. Helping maintain global and regional life support systems that underpin future development prospects;
4. Building partnerships to maximize the impact of ADB lending and non-lending activities; and

5. Integrating environmental considerations across all ADB operations.

The first four points are supposed to be implemented in a flexible fashion—tailored, according to country ownership, depending on country strategy and program. But the fifth element on integrating environmental considerations across all ADB operations should be applied uniformly by the ADB to all ADB operations in all DMCs. (point 25)

This indicates the lax in the part of the ADB and allowing the DMCs to implement the projects as they want, and leveraging the force on DMCs to integrate policy changes through the fifth point.

The policy ignores long-term productivity of the ecosystem willfully. (point 26) The fifth element application is clear in the fact that ADB's assistance is being provided to strengthen their policy, legislative and institutional framework. (point 27) This has gone in the direction of bringing changes in the role of governments and their constitutional obligations through conditionalities.

Monitoring and evaluation of compliance with environmental requirements of loans are not followed in the field. (point 30) The policy reforms in Karnataka due to conditionalities has brought a few things: the components planned in the projects has changed the land use, put pressure on watersheds, pollution due to waste leaches and cutting of trees due to introduction of tax on open lands. In the long run, the projects are causing deterioration of natural resources.

The aspects mentioned in the operational content of the policy only speak high words. (points 31, 32, 33) The notion of improving services through private sector participation (PSP) and the devolution of decision-making responsibility to local governments are seen to be treating local governments as service delivery agencies. (point 34) The legislative frameworks mooted through conditionalities have contributed to tree falling and reducing the role of constitutional bodies. (point 43) The market-based instruments (tax on open lands) have brought about loss of tree cover. No environmental education activities have been carried out in the project areas. (point 44)

The internalization of environmental policies by ADB staff is not convincing. (point 50)

The classification of urban development projects as 'B' is deceiving. (point 54) The RRP:IND 30303 (p.68) concludes that the initial environmental examination (Appendix 10, p.1) indicates no requirement for an EIA as the project aims to improve and sustain the urban environment in project towns. All the solid waste management components of the project ignore the pollution to streams, wetlands and rivers due to the dump

yard leachates. The urban development projects have failed to conduct environmental impact assessment and look at the larger impact of the project on the natural resources of the region.

The justification provided that the urban development projects improve environmental quality and EIA is not required is a narrow argument. But the impacts of urban development projects are severe in the long run. EIA must be made compulsory for urban development projects and should be categorized as 'A'.

The public consultations envisaged in the policy are not practiced in project implementation. (point 63) The public consultations with stakeholders during the project planning and implementation have been poor. The ADB Public Communication Policy provides information to those who ask for it by post or email. The ADB does not feel responsible for providing information to public on its own, but puts it on the state agency. (point 63)

The Regional and Sustainable Development Department, the chief compliance officer, who is supported by the Environment and Social Safeguard Division, and the specialists, must be made responsible for the non-incorporation of environmental concerns in the project documents. (point 76, 77, 82)

Only points covered in the policy about urban areas are 7, 22, and 33. The policy must, therefore, add additional dimension of urban environmental issues in the policy.

Critique of the ADB Indigenous Peoples Policy

The Indigenous Peoples Policy of the Asian Development Bank was brought out in April 1998. The policy acknowledges that indigenous peoples are vulnerable, consist a small portion of the Bank's region (point 1) and cannot be insulated from development (point 2). The Bank also elaborates that the locations of indigenous people are being invaded by development (point 14), the interests of indigenous people differ from mainstream (point 15) and they may bear the burden of development (point 16).

The policy says that the initiatives should be conceived, planned, and implemented to the maximum extent possible, with the informed consent of affected communities, and should include respect for indigenous peoples' dignity, human rights, and cultural uniqueness (point 31). A policy of indigenous peoples would apply to operations in both the public and the private sectors (point 32).

The experience in urban development projects shows that the urban poor have been ignored in their involvement.

The study carried out by CURE and Water Aid on 'Evaluating Implementation of ADB's Water Policy in India' made the following observations:

1. NGO involvement in the project has been inadequate and has resulted in relatively weak community participation. The low level of community engagement can be held responsible for the lack of debate on critical issues in water supply and sanitation, such as on land tenure, in the house services, tariff affordability, etc., which in turn means less involvement of the community, as services do not respond to their needs. (Center for Urban, p. 60)
2. Despite three generations of loans, projects for the poor have continued to be designed as stand-alone packages rather than as conscious efforts to mainstream the poor by networking them to the expanding city systems. (Center for Urban, p. 60)
3. Only about one third (28 percent) of the estimated slums in the city are reached under the slum improvement packages. Pro-poor components are generally funded out of the regular government resources, and not by ADB loans. In Karwar, sanitation services were being provided to slum dwellers under the LCS scheme [grant component] of the Gok and not from the ADB loan. Karnataka RRP does not have a separate budget head for slums. Karnataka RRP does not provide a separate budget for slum services. (Center for Urban, p. 68)

The ADB clearly mentions that it must ensure that its interventions affecting indigenous peoples are (point 58):

1. Consistent to the needs and aspirations of affected indigenous peoples;
2. Compatible in substance and structure with affected indigenous peoples' culture and social and economic institutions;
3. Conceived, planned, and implemented with the informed participation of affected communities;
4. Equitable in terms of development efforts and impact; and
5. Not imposing the negative effects of development on indigenous peoples without appropriate and acceptable compensation.

That specific consideration of indigenous peoples as a potentially affected population should be included in the Bank's operations. (point 59) The Bank will work to develop necessary and appropriate internal capacities for addressing indigenous peoples' matters in its operational activities (point 60). The Bank will work with borrowing member countries as appropriate and necessary to support and assist the development of capacities for addressing indigenous peoples' matters (point 61).

The project identifies that the 30 percent of beneficiaries are urban poor. The urban poor are generally located in low income neighborhood designated as slums. The urban poor generally consist of scheduled castes, scheduled tribes and other backward communities. The non-recognition of that urban areas host indigenous populations is totally missing the policy and project experiences.

The policy must add a dimension of urban communities and incorporate urban project's attention on urban poor.

The project neglected the scheduled castes, scheduled tribes and other populations in the project towns.

The urban development projects have failed to ensure the five points mentioned above.

Critique of the ADB Involuntary Resettlement Policy

The Involuntary Resettlement Policy was brought in August 1995. The objectives of the policy are as follows (point 33):

1. Avoid involuntary resettlement wherever feasible; and
2. 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, as contemplated in the following paragraphs.

The Bank also recognizes that the involuntary resettlement should be an important consideration in project identification. The three elements of involuntary resettlement are as follows:

1. Compensation for lost assets and loss of livelihood and income;
2. Assistance for relocation including provision of relocation sites with appropriate facilities and services; and
3. Assistance for rehabilitation to achieve at least the same level of well-being with the project as without it.

The policy emphasizes that the people who may be adversely affected by the development intervention be consulted, compensated for their losses, assisted to rebuild homes, reestablish their enterprises, and develop their potentials, among others (point 1).

The KUDCEMP says that about 113 hectares of land, of which 20 hectares are privately owned, will be acquired.

The project terms these lands as marshy and uplands, not being used for agricultural purposes.

As for KUIDP, 617 hectares of land is being acquired and project implementers agree that there have been delays in doing so.

The policy does not consider the displacement or inconvenience due to solid waste dump yard in urban areas (point 5).

The policy acknowledges that some of World Bank's projects displaced populations (point 7), and in their own case, they have identified the problems at a later stage. (points 18 and 19). But the urban projects are not considered to be displacing populations at all.

The policy does not consider urban projects to create migration into cities, but considers migration due to government programs (point 9). The policy refers to the legislation of India and other countries (point 14 - 17).

The policy further says that 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 costs of proper resettlement. Furthermore, impoverished people are a drain on the national economy. Thus, avoiding or minimizing displacement and proper rehabilitation of those displaced make good economic sense, as well as being fair to those adversely affected (point 29).

The policy talks about the renewed emphasis on project quality and impact. The focus on affected persons and their welfare should (point 30):

1. Improve the way development projects are conceived, planned, and implemented; and
2. Make development not only economically, but also socially and environmentally beneficial. This approach is in tune with the twin objectives of poverty reduction and sustainable economic growth.

But the Bank puts the onus of resolving differences in involuntary settlement on the government and project sponsors (point 35).

It is not clear on how the staff of the project departments are presently monitoring the involuntary resettlement aspects of the Bank-financed projects (point 46).

Public Response to Policy Violations and Adverse Impacts

The public response in the project towns has been critical. The media, local associations, NGOs and active citizens have been interacting with the local municipalities and the implementing agency (KUIDFC). In the case of KUIDP, the project was implemented through 11 line agencies; the municipalities did not know what was happening. The access to information and the lack of citizens' involvement by the implementing agency were two major limitations that the implementing agency has still not understood.

In 1998, KUIDFC appointed M/S NEDECO consultants, from the Netherlands, to prepare a proposal for infrastructure development that could be submitted to the ADB. During the process, they had few meetings with NGOs, officers of MCC, etc.; but major part of their time was spent in collecting information.¹²

The consultants prepared a final report entitled, "Karnataka Coastal Environmental Management and Urban Development Project"¹³ at the end of 1998. In the process of preparing the report, the consultants have called a few meetings. But aside from these meetings, there were no other consultation or awareness programs organized by KUIDFC. The meetings have always projected that the towns are going to receive financial resources, and that the citizens have been kept under the dark that these resources are going to become 'loan'. The re-entry of KUIDFC has only been after the loan was sanctioned and approved by the State Cabinet at the end of 2000.¹⁴

The NGO Task Force was formed out of the NGO Forum meetings¹⁵ to seek proper implementation of the project. The attention of the NGOs was drawn to this due to few reasons:

- First, the infrastructure development has been through obtaining large sums of money as loan from the ADB;
- Second, until the loan obtained and permitted by the State Cabinet, neither the council nor the citizens were made aware of the process;
- Third, the repayment of the loan over a period of time has gone with the increase in taxes that have to be paid by the citizens of the corporation.

There was no response neither from the Commissioner, MCC, nor the KUIDFC until the ADB resident mission asked KUIDFC to look into the matter.¹⁶ The NGO Task Force could find out finer details about the consultation process that was not carried out by the KUIDFC. They have been able to mobilize technically competent citizens in generating alternate proposals on financial viability and sewerage treatment. Members of the Task Force visited Mysore to get an understanding about the work carried out under ADB assistance and came to a conclusion that the works have been inferior in nature.

It was found that the committee of incorporators was formed to take a decision about the ADB loan in January 2000, and authorized the commissioner to sign the 'on-lending agreement' with certain conditions,¹⁷ which he did otherwise. Due to public pressure, the matter was raised in the Corporation Council meeting in May 2001 and it was decided to call for a separate meeting on the ADB issue. Feeling the heat, the chairman and managing director, and finance director were present in the meeting. Many fundamental questions could not be answered by the implementing agency.¹⁸

It was not clear why KUIDFC did not initiate a consultation process within the corporation before obtaining the loan about taking the loan, work maintenance after the project and repayment of the loan. But the chairman and MD said that these factors need to be seriously considered by the council. The members of the NGO Task

¹² It is important to mention that the Government of Karnataka was prompted to prepare an 'Environmental Management Plan for Dakshina Kannada District' consisting a framework and actions for ensuring that development activities take place without harming the environment (Managing Sustainable Development, Danida-DFEE Study on Environmental Management Plan for Dakshina Kannada District, India, 1995), spending few crores. The decision to implement the recommendations of the report now lies with the government since 1995.

¹³ This project aims at providing an integrated urban infrastructure and environmental management program in the project area comprising ten towns, namely: Ankola, Bhatkal, Dandeli, Karwar, Kundapura, Mangalore, Puttur, Sirsi, Udupi and Ullal. (Annual Report - Urban Development Department, Government of Karnataka, 2000-2001).

¹⁴ Government Order No. UDD 2 PRJ 99 (P), B'lore, Dated 21st December 2000.

¹⁵ NGO forum meetings have been initiated by concerned individuals and groups to bring together NGOs working on issues concerning the Mangalore region. The main objective is to develop an understanding and information sharing among them. More than 35 NGOs working on wide range of issues meet once a month.

¹⁶ Letter from KUIDFC to NGO Task Force, Mangalore (Letter No. KUIDFC/NGO TASKFORC/LOC EX/2001- 2002 467 Dt.7.5.2001).

¹⁷ The proceedings of the meeting of the committee (formed according to the resolution No.83:99-2000, dt. 28 October 1999) on 1.2.2000 on ADB issue put forward five conditions, such as the rate of interest should not be more than 13.5 percent, an advisory committee be formed with expert engineers,... etc. The committee agreed to access the loan with these conditions.

¹⁸ The incorporators has asked why the copy of on-lending agreement was not provided to them; why the commissioner signed the agreement without incorporating the conditions of the committee; why they did not consult either the incorporators or others in the process of obtaining the loan, etc.

Force were invited by KUIDFC for a meeting. Meanwhile, it was learned that NGO Task Force members have written to Indian lending agencies like HUDCO and received a reply about their terms and conditions for extending a loan.

In the subsequent council meeting in July 2001 after the election of the new mayor and deputy mayor, it has been learned that there has been a last minute agenda on the ADB loan.¹⁹ But few incorporators have not allowed it to happen and the matter has been with the 'Works Committee'. It is important to note that neither the interests of the local government nor the citizens have been considered while the higher governmental bodies make a decision.

As the citizens have been involved in the solid waste management by MCC, few meetings were organized by KUIDFC²⁰ in early 2001 related to the infrastructure development of the city with the ADB loan.

Response of the ADB and the Executing Agencies

The citizen associations have written a number of letters to the executing agency, i.e., KUIDFC. But the response of the executing agency to provide information has not been encouraging. The officials see that the citizens are causing inconvenience in their work. Citizen participation in planning, execution and monitoring has been totally absent in the Karnataka case. The implementing agency has agreed for a couple of joint field visits to the project locations with pressure from citizen groups in Mangalore.

The elected representatives expressed that municipalities are treated as 'post offices' by the executing agency. A number of other programs are also implemented by the same executing agency. The executing agency exerts pressure on the municipalities to pass a resolution to the effect of accepting the work plans, thus justifying its role as an implementing agency.

The interaction of ADB officials with citizens in project towns is totally missing. Only after the officials have come and go that the news is learned through newspapers. After consistent follow-up, ADB officials met citizen groups in Mangalore two to three times.

Conclusion

The implementation of urban development projects in Karnataka shows that the five major challenges in the Environment Policy identified by the ADB have not been addressed rather has created more complications. The poor are not part of decision-making, institutional changes are top-down, the project has contributed to the deterioration of regional environment in the long run, no stakeholder engagement has been conducted, and non-internalizing the systems within.

There has been inconsistency on the part of the Bank's operations to bring appropriate interventions to ensure the development of indigenous and urban poor populations.

The three elements of the Involuntary Resettlement Policy have not been properly followed in the urban development projects.

Suggested Policy Recommendations

- The EIA must be made compulsory for urban infrastructure development projects.
- The environmental assessment, analyses and management planning must be efficiently incorporated into projects. The present consideration of environmental assessment as a process is delaying the interventions. This must be changed.
- The consultants' reports must be made public for opinion seeking.
- Local experts must be encouraged to contribute from the conception stage.
- The Environment Policy must clearly rewrite the 'five' elements.
- The Environment Policy must acknowledge the long-term productivity of the ecosystem and incorporate into project planning.
- The environment, education and public consultation must be the responsibility of the Bank.
- The Environment Policy must include the dimensions of urban environmental issues.
- The loans must be unlinked with policy conditionalities.
- The scope of the present Environment Policy must be widened to consider the impacts before, during and after project implementation.

¹⁹ It was learned that there were pressures on the incorporators from the State Government to pass in the Council.

²⁰ Karnataka Urban Infrastructure Development and Finance Corporation is a company incorporated under the Companies Act of 1956, with 100 percent equity participation from the State Government. The State Government has identified KUIDFC as the nodal agency to implement external aided projects for infrastructure development. This is the second ADB-funded project, where this organization overlooks both financing and implementation of the project work. The first project, Karnataka Urban Infrastructure Development Project, is an integrated urban infrastructure and institutional strengthening program designed to provide and upgrade essential urban infrastructure and services in the four towns of Mysore, Chennapatna, Ramnagar and Tumkur cities. (Annual Report: Urban Development Department, Government of Karnataka, 2000-2001).

- The urban development projects funded by the Bank must include pro-poor components within the project, not only from government sources.
- The urban poor must be consulted along with the urban local governments (in every step and stage) in project conception, planning, implementation and monitoring.
- The thrust of urban development projects must be to address the issues of urban poor. The negative aspects of the ADB Water Policy raised during the water policy implementation review must be incorporated. It must be ensured that ADB projects do not destroy the livelihoods of urban poor.
- The scope of the present Indigenous Peoples Policy must consider the slum populations in urban areas (as equivalent to indigenous peoples) are SC, ST and other BCs. The Indigenous Peoples Policy must be fully adhered to.
- The land acquisition in urban development projects ignores the true utility of land in ecological, social, cultural and economic terms. The Involuntary Resettlement Policy and the Environment Policy must consider this and include changes in the policies.
- The Involuntary Resettlement Policy must consider that the urban development projects infuse in-migration of population, thus causing displacement.
- The officials of the Bank must be oriented to understand the livelihood issues of urban poor and urbanization, and bring meaningful facilitation for development.

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Safeguarding or Discarding Policies

LBOD: A Case of Non-Compliance of ADB Safeguard Policies

by Zulfiqar Halepoto of Forum for Conflict Resolution (FCR)

Executive Summary

“No Lesson Learnt From History”

The Left Bank Outfall Drain (LBOD) project was intended to drain saline ground, surface water, and storm run-off from an area of approximately 0.5 million ha in three districts of Sindh falling on the lower left side of Indus River. The project was conceived to control water logging of 1.27 million acres in the districts of Nawabshah, Sanghar and Mirpurkhas through a network of open-surface drains that convey the saline effluent pumped by tube wells as well as tidal drains via a spinal drain and a tidal link into the Arabian Sea.

The project was started in 1986 and its 80-85 percent work was completed in December 1999, seven years behind schedule, with the remaining work to be taken under the National Drainage Programme (NDP) by 2002.¹ The cost of the project exceeded from Rs8,000 million to Rs30,000 million.

Due to defective alignment of the tidal link, the drainage effluent instead of going into the sea, flowed backward and sideways that started destroying lands and wetlands. The project-induced problems like flooding, sea intrusion, loss of crops and agricultural land, reduction in fish catch and loss of lives have surfaced with one claiming responsibility. Thirty-two people were killed as a result of the LBOD since it was launched in 1997, while 50,000 acres of agricultural land in eight union councils had been wasted by salinity or water logging, 10,000 fishermen lost their livelihood, four vast wetlands—two of them have been internationally recognized—have been degraded causing damage to biodiversity, and about 52 species of fish in the area had also been damaged. Both the government and the IFIs, including the ADB, did not even identify the problem that the wetlands are seriously threatened with and that the tidal link has played havoc on agriculture lands. The Government of Pakistan accepted the losses but was not ready to take the responsibility.

The ADB claims that the safeguard policies are central to achieving sustained development impact and poverty reduction.² But a critical review of the loan documents and other related papers such as, EIA reports, study of the safeguard policy documents, civil society feedback and research, community complaints, field work and meetings/dialogue with the community and line department officials reveals that not only the project carries serious implementation flaws but also suffers from gross violation of commitments as agreed in safeguarding the principles of the bank, in terms of protection of the environment, indigenous communities and vulnerably displaced groups.

Not on a single item was the local community consulted or any information shared with it in local language. Neither was any consultative dialogue nor a discussion was held with CSOs, CBOs and NGOs at the local level.

The ADB, instead of looking at the failures of the LBOD, has further extended its financial loaning and support to the Government of Pakistan and Sindh in various other projects. *Nobody is learning any lesson from past failures.*³

All affected communities and stakeholders are still protesting the failure of the project and are demanding from the government and donor agencies, specially the ADB and other IFIs, to compensate the damages that the Project has caused to the environment and livelihood of the local communities, specifically the fishermen community and agriculturists.

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¹World Bank, Rural Development Sector Management Unit, South Asia Region, “National Drainage Programme Project,” *Staff Appraisal Report*, Report No. 15310-PAK, 1997.

²ADB, *Safeguards*, Updated 25 August 2006. See <http://www.adb.org/Safeguards/default.asp>.

³Thakur Himanshu, *Violation of ADB Policies in three small hydropower projects in Uttarmchal, North India*, A Case Study by South Asia Network on Dams, Rivers & People Delhi, India, July 2006. Left Bank Outfall Drain Stage 1 Project, October 1995, Sir M MacDonald and Partners Ltd. in association with National Engineering Services Pakistan (Private) Ltd. and Associated Consulting Engineers (Private) Ltd.

What are the Safeguard Policies?

"Safeguard policies, according to the ADB documents, are generally understood to be those operational policies that seek to avoid, minimize or mitigate adverse environmental impacts, social costs to third parties, or marginalization of vulnerable groups that may result from development projects."⁴

Civil society organizations that monitor ADB's overall investment policies believe that the Bank has initiated the review of its safeguard policies due to fear of losing its heavy business from countries whose economies are growing stronger and to help borrowers comply easily with the safeguard policy requirements.⁵

Introduction

The Asian Development Bank (ADB) is one of the major International Financial Institutions (IFIs) investing massive amount in Water Sector Development in Pakistan concerning irrigation and drainage, rural-urban drinking water supply, sanitation and hygiene, disaster management and flood control, environment and energy, rehabilitation and costal development projects.⁶

As the ADB prepares to launch another mega project and the consultants have submitted their interim report on the US\$50-million "Sindh Coastal and Inland Community Development Project"⁷ in the two coastal districts of Thatta and Badin, the affected people and the poor communities of the previous ADB-funded LBOD project have began to raise their voice and complain against the project, both in terms of implementation and protection of safeguard policies.

The affected communities are, however, bearing the impact of failure of implementation and safeguard policies in terms of ill-designs of drainage projects like Tidal Link of LBOD that has been built at a cost of Rs785 million and initiated through partial ADB-fund.⁸

The fundamental principles of safeguarding the rights of the local people, land, ecosystem, environment and indigenous communities, including poor fishermen groups, were ignored. Even in the time of flood and cyclone, no relief was provided as compensation for heavy human,

social and environmental losses. The so-called claims of development were not fulfilled due to mismanagement, inefficiency, lack of internal control, and financial irregularities in the LBOD project.

Nobody provided the relief or even took the responsibility on the flawed design of the tidal link, which enabled the saline effluent to flow back and sideways into agricultural lands and human settlements rather than discharge it into the sea.

Objectives of the Case Study

The ADB has embarked on a set of safeguard policies with the aim to enhance the effectiveness of its project engagements and ensure the relevance to changing client needs and new lending modalities and instruments. The Operations Evaluation Department (OED) has started an evaluation of the ADB's three safeguard policies.

The study will critically analyze the implementation problems of the three main safeguard policies of the Bank namely, the Policy on Involuntary Resettlement (1995), the Policy on Indigenous Peoples (1998), and the Environment Policy (2002). Though the ADB has had environment assessment requirements for more than 20 years, the ADB's current safeguard policy framework has been made more specific by morphing it into the three main operational policies.⁹

Second, since poverty eradication is the main strategic agenda of all ADB's investment in water sector development projects,¹⁰ this study will further analyze the impact of the LBOD project on the lives of the stakeholders as compared with the current safeguard policy framework vis-à-vis ADB's commitment on poverty eradication.

It should be noted that Pakistan is among those countries that have had serious problems in terms of implementation of the ADB safeguard policies on the Bank's lending in various water and drainage sector projects.

Third, this case study will focus on the reasons of the failures of ADB's intervention in Pakistan's first ever drainage project, the Left Bank Out fall Drainage (LBOD),

⁴ ADB, *Safeguard Policy Update, Objectives and Operational Principles*, A Discussion Note, Manila: ADB, October 2005.

⁵ NGO Forum on ADB, *Civil Society says NO to weakened Standards YES to Accountability*, Press Release for the ADB AGM in Hyderabad, India, 20 April 20 2006. <http://www.forum-adb.org/PDF-Safeguards/Press%20Release-ADB-Safeguards%20Update.pdf>.

⁶ ADB, *Country Strategy and Program Update 2006-2008, Pakistan August 2005*, Manila: ADB, 2005.

⁷ Sindh Coastal and Inland Community Development Project, Location- Sindh, Pakistan, PPTA: PAK37188-0- Sector-Agriculture & Natural Resources /Fishery, Initial Listing February 2004, Executing Agency (ies) Planning and Development Department, Government of Sindh.

⁸ At the time of appraisal of the project, ADB's loaning was 122.0 (19 percent) of the total finance. And at the time of the completion of Left Bank Out fall Drainage (LBOD), the total cost of ADB's lending was US\$169.4 million (18 percent of the total cost of lending, which was US\$963.0 million).

⁹ ADB, *Safeguard Policy Update, Objectives and Operational Principles*, A Discussion Note, ADB: Manila, October 2005.

¹⁰ For further details see *Technical Assistance to the Islamic Republic of Pakistan for Water Sector Irrigation Development*, November 2004, TAR: PAK 37189, Asian Development Bank.

which has resulted in total opposite to what it has been intended for.

In short, the three purposes mentioned above will attempt to

- Expose the gaps/failures of the ADB safeguards and implementation policies;
- Show the human, financial, ecological and environmental costs of the failure of the ADB safeguards and implementation policies

Research Methodology

Both primary and secondary sources are used to develop a logical research methodology. All documents of the ADB regarding water sector development investment, LBOD completion report, Governments of Pakistan and Sindh, Ministry of Water and Power, Irrigation Department, Sindh Irrigation and Drainage Authority (SIDA), civil society literature on the ADB and IFIs, and documents of NGO Forum on ADB were used as reference.

Letters of various groups like, political parties, civil society leaders and other stakeholders on behalf of the communities, and letters written to the Bank's top management including, the President of the ADB, were also reviewed and included.

Field visit and dialogue with community was also undertaken to update the rationale of the data.

Research Rationale

The ADB has decided to get involved in a consolidated review of its safeguard policies in the beginning of 2005. The Bank has appointed a team for this purpose and published a discussion note in its website in October 2005. The discussion note has also mentioned that Water, Energy and Forest Policies also provide important safeguards. The note says, "Pursuant to ADB's reform agenda, there is recognition of the need to enhance the effectiveness and outcome orientation of ADB's safeguard policies, while at the same time streamlining procedures and reducing transactional costs."¹¹

The consolidated review is coming in the context of the Middle Income Countries (MIC) and Ordinary Capital Resource (OCR) Country Partnership Framework and the Innovation and Efficiency Initiative, which has highlighted the need to introduce procedural flexibility in the application of safeguard policies while increasing country ownership/capacity in delivering safeguard outcomes.

The discussion note also states, "Ongoing multilateral development bank (MDB) harmonization efforts have placed emphasis on the desirability for development partners to harmonize their practices and procedures around country systems, including country safeguard systems." From the public point of view, the ADB has a poor track record in the implementation of these policies. In most cases, either the ADB staff or the local executing agencies have been responsible in scuttling the properly laid out safeguard policies. Although, it is expected that the ADB safeguard policies would result in social and environmental frameworks that closely mirror those recently established at the World Bank Group.¹²

LBOD in Sindh, Pakistan is the most glaring example for these violations. In fact, the LBOD case has been forcefully brought to the inspection panel/accountability mechanism of the ADB. But the ADB has said that they would not open its policy principle to debate.

The ADB is already facing serious complaints from Export Credit Agencies that lend money to some borrowing countries, which does not follow the safeguard policies. In this context, the ADB might end up having easy safeguard provisions, which will downgrade or underestimate many safeguards that are included in the existing three operational policies.

The Indus Basin Irrigation Network

Pakistan's vast plains in Punjab, Sindh and Balochistan are arid and semi-arid with around 125 mm rainfalls per annum. By harnessing the Indus River and its tributaries through the largest contiguous man-made irrigation network, which comprises of two large dams, 19 barrages, 43 canal subsystems stretching to 63,000 km and 105,000 water courses, 16 million hectares of land have been brought under cultivation. That has not only sustained the people of Pakistan but has enabled the country to export large quantities of cotton and rice to other countries.

But all this has not been without a price. The gravity-fed irrigation network has necessitated building of barrages and canal systems higher than the ground level resulting in rising of water table in the plains.

The irrigation and agriculture network consumes about one billion cubic meters of water every year that also includes the domestic and industrial uses of Pakistan. An estimated 60 percent, or 600 million cubic meters, seep underground. This seepage causes a welcome recharge of the aquifer where underground water is sweet, like *Bari, Rachna and Chajj do-abbs*,¹³ in the upper

¹¹ NGO Forum on ADB, *ADB's Safeguard Policy Review*, taken from Forum's website, <http://www.forum-adb.org/Policy-Safeguards.html>

¹² Bank Information Center (BIC), *ADB: Safeguard Policy Update*, taken from BIC's website, http://www.bicusa.org/bicusa/issues/misc_resources/2851.php

¹³ Bari do-abb is the 2.8-million ha fertile plain of Punjab between the Sutlaj and Ravi Rivers. Rachna do-abb is the 2.3-million ha fertile irrigated block of land in Punjab between the Ravi and Chenab Rivers. Chajj do-abb is the piece of land between the Chenab and Jehlum Rivers measuring about 1.3 million ha in Punjab.

and central Punjab (total area about seven million hectares). But in the lower Punjab and Sindh, where much of the underground water is extremely saline (more than 4,000 ppm), the seeping water has lifted underground water table to alarming proportions, causing widespread salinity and water logging with consequential land degradation.

The Need for Drainage

In Sindh for example, almost half of the total five million canal-commanded hectares have become water logged and one million hectares have turned totally saline with little vegetation for 74 years since the first of the three barrages and canal systems were built.¹⁴ The rising of water table has rendered 43 percent of lands in Sindh saline and water logged.¹⁵ The enormous problems of water logging and salinity have become a major threat to sustainable irrigated agriculture of the lower Punjab and all of Sindh.

To meet the challenges, the policy makers in the Province of Sindh have decided to separately manage the saline effluent of the *Guddu, Sukkur and Kotri* barrages through different drainage networks along the left bank and right bank of the Indus River. To counter the menace of water logging in Sindh, various drainage networks are employed. The effluent of five canal commands on the left bank of the Indus River is drained into the sea through the Left Bank Outfall Drainage (LBOD) project, which is partly funded by the ADB and is the subject of the present case study.

Background of the Left Bank Outfall Drainage (LBOD)

The LBOD project was jointly funded by the Asian Development Bank and the World Bank to bring drainage effluent from the upstream and dispose it off into the Arabian Sea via the Tidal Link Canal. (see Figure 1) The project was conceived to control water logging of 1.27 million acres in the districts of Nawabshah, Sanghar and Mirpurkhas through a network of open-surface drains that convey the saline effluent, either pumped by tube wells or tidal drained via a spinal drain and a tidal link into the Arabian Sea. The project consisted of 1,673 drainage wells, 361 scavenger wells, 1,623 km surface drains, 1,500 km tile drains, 295 km interceptor drains, 2,700 km electrical distribution lines, remodeling of 470 km canals and Chutiari Reservoir with storage capacity of 0.70 million acre feet (MAF).¹⁶

Eight international donors financed the project: the World Bank-International Development Association (IDA); the Asian Development Bank; the Department for International Development (DFID-Formerly ODA) of the United Kingdom; the Swiss Development Corporation; the Saudi Fund for Development; the Islamic Development Bank; the Canadian International Development Agency; and the Organization of Petroleum-Exporting Countries (OPEC).¹⁷

Project Impacts: Human, Social, Environment and Development

Since its inception, the LBOD project has proved to be unworkable and a disaster in every sense. The failure of this project can be assessed in two directions:

1. Technical failures in terms of defective engineering designs, project execution and implementation; and
2. Human face of the disaster in terms of displacement, loss of human lives due to breach in LBOD canals, loss of agriculture land, environmental degradation and livelihood of indigenous people (fishermen) that directly linked with the failure of the ADB safeguard policies to protect local development paradigms, agriculture, environment, indigenous communities and the Delta Region.

Failure of the Engineering “Wisdom” of the ADB and Other Donors

Due to incredible negligence on the part of the engineers and executing authorities, the tidal link, which is the last link discharging the effluent into the Arabian Sea, has been aligned in the south-western direction from which winds blow from the sea towards the land for most of the year. Constant blowing of wind against the incoming water has created waves, which in turn are washed against the northern embankment of the tidal link that has caused widespread erosion of the whole northern bank and its collapse in a number of places. The effluent, which is supposed to flow into the sea, now finds its way into adjoining agricultural fields, fertile crops, fresh water fish ponds, lakes and eco-region resulting in whole scale devastation in a very large area.

The rising tide of the sea further adds to the sum total of unwanted saline water. What is the most damaging aspect of the tidal link is that it restricts the water from flowing out when the tide subsides. The recent heavy

¹⁴ Presentation to the Parliamentary Committee on Water Resources in Pakistan by Secretary Irrigation & Power, Government of Sindh, Karachi, 6 March 2004.

¹⁵ Ibid.

¹⁶ See PC-1 Proforma (Revision-1): National Drainage Program Project, January 2004. NDP Management Organization, Lahore Pakistan.

¹⁷ Project Completion Report on the Left bank Outfall Drain (Stage 1), (Loan 700-PAK [SF]), in Pakistan, December 2000, Asian Development Bank. PCR: PAK 17055.

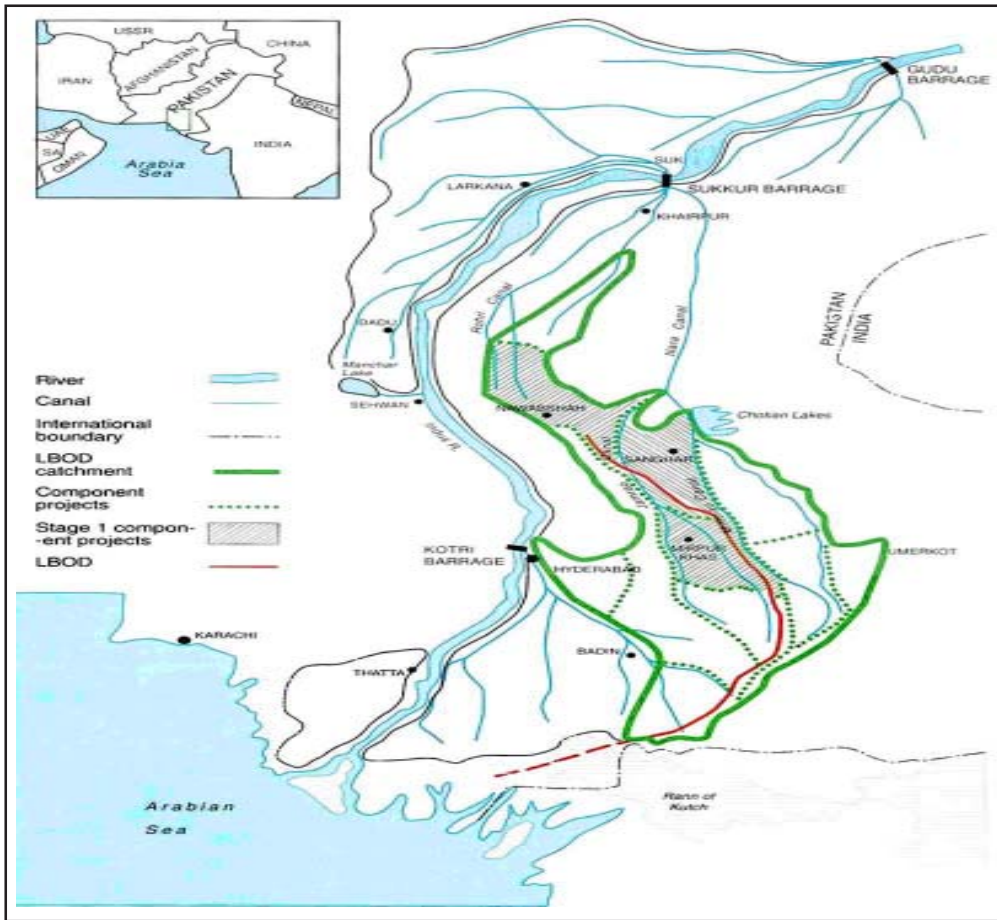


Fig. 1: Aerial view of the river Indus and the Irrigation and Drainage Network of LBOD

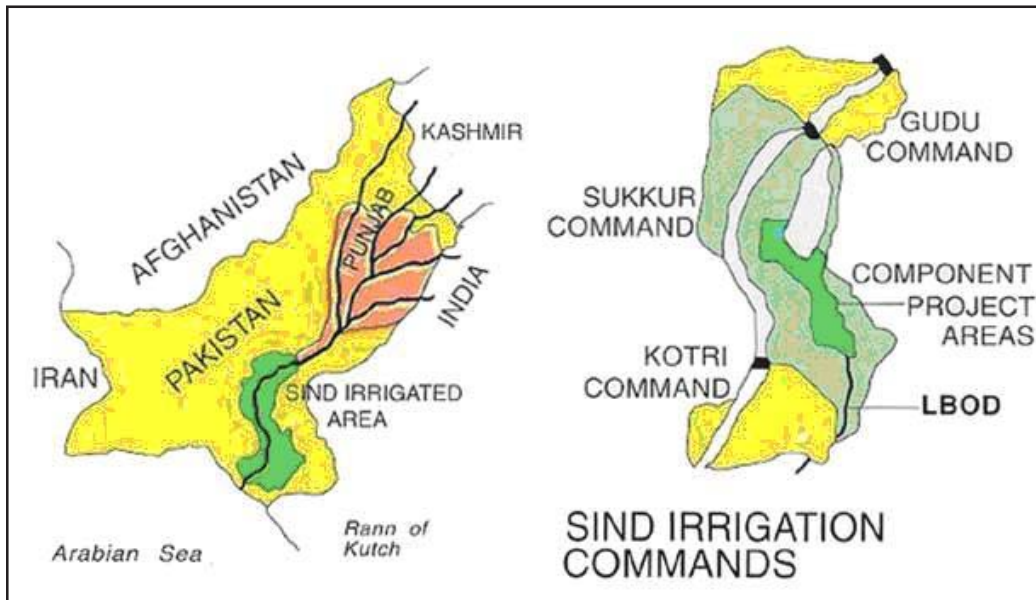


Fig. 2: Sindh Irrigation Commands

monsoon rains in Sindh¹⁸ and the cyclone in 1999,¹⁹ in which seawater flooded vast areas of the lower parts of coastal Badin District, have only proven that the tidal link embankments of LBOD are in fact acting as a devastating trap for unwanted water. The lower parts of coastal Badin District are the last discharge outlet of LBOD. The embankments of the tidal link act as a dam that does not only stop the seawater from flowing out, but also stops rainwater from draining out into the sea.

Thirty-two people were killed as a result of the LBOD since it was launched in 1997, while 50,000 acres of agricultural land in eight union councils have been wasted by salinity and water logging. About 10,000 fishermen have lost their livelihood, four vast wetlands—two of them internationally recognized—have been degraded causing damage to biodiversity, and about 52 species of fish have also been found to be threatened. The Government of Pakistan accepted these losses but was not ready to take the responsibility. The losses had occurred due to non-compliance of the consortium's safeguard policies including the ADB.

The ADB further financed the National Drainage Program, which aimed to connect the existing faulty LBOD disposal system to further upstream and bring more effluent. Through the National Drainage Project (NDP),²⁰ the design of the NDP was faulty and unsustainable, which violated the social and environmental safeguards and did not explore possible alternative routes. The saline effluent coming down the LBOD system and the incoming high tide water from the Arabian Sea have caused the Kadhan Pateji Outfall Drain (KPOD) to overflow and inundate the surrounding agricultural land and villages, including the fishermen villages.

The project has also failed to deal with issues like coastal ecology, safe disposal of saline effluent into the sea, and protection of wetlands, which has been an important natural habitat and migratory route for waterfowl and nesting grounds for important bird species, besides affecting the cultural sites in Badin.

The ADB Safeguard Policies Flouted

The current safeguard policies of the ADB require that:

- Impacts of the project are identified and assessed early in the project cycle.
- Adverse impacts are avoided minimized or mitigated; and
- Affected people are consulted

In the case of ADB's intervention in the Left Bank Outfall Drainage (LBOD) project, all three fundamental principles, which are meant for safeguarding of community and environmental rights, have been flagrantly violated and flouted.

The LBOD project runs counter to the professed policies of the ADB in a number of ways:

1. The current ADB safeguard policies require that impacts of ADB-funded projects be identified and assessed early in the project cycle. This policy was totally ignored in the case of LBOD. Much earlier in the project execution, the fact that constant wind share and wave wash are damaging the embankment, and in fact will continue to damage it, must have become evident. But nobody took notice. In fact, the ADB has looked the other way and has simply walked away as soon as the project has been completed, rather than follow its own safeguard policies.
2. In the case of LBOD, no actions have been taken to minimize or mitigate the adverse impacts. The embankments of the LBOD has continued to collapse and the saline water of both the drain and the sea (due to rising tide) has continued to find its way into adjoining agricultural lands, fresh water lakes and ponds, around human settlements, and over a waste area. This has submerged them and has caused widespread loss of livelihood and consequent misery. The indigenous community of fishermen and agriculturists are the ones suffering the most. People continue to suffer year after year with no relief in sight.
3. The Environment Policy of the ADB says that such environmental policies that shape the process of growth and development must also address the needs of the poor and must ensure sustainable use of resources on which continued growth depends. In the case of LBOD, while the project succeeded in maintaining sustainable quality of their lands through drainage in canal command areas of the districts, others who are adjacent to the southern segment of the project, the tidal link, are made to pay the high price.
4. There is no indication that the people affected by the LBOD project have ever been consulted, informed, or involved in any way at any level. The initial draft, the appraisal report of the loan, the

¹⁸ In August- September 2006, heavy rains in Sindh have destroyed most of the LBOD structure in all four districts of Sanghar, Nawabshah, Mir Pur Khas and Badin. This was reported by Daily Kawash, the leading Sindhi Newspaper, on 24 August 2006.

¹⁹ The northern embankment of the tidal link is also exposed to the southwestern winds, which generate waves that endanger the stability of the embankment. In the absence of protective measures, the embankment has already given way to wave erosion. Seawater has, therefore, been allowed to inundate areas that have been previously protected by the embankment. The tidal link canal is an open channel, and at times of high tide, there is a backwater effect, allowing the seawater to inundate and reach several kilometers in Badin District. This situation happened when a Cyclone 2A occurred in May 1999 that has adversely affected the tidal link weir.

²⁰ See PC-1 Proforma (Revision-1): National Drainage Program Project, January 2004, NDP Management Organization, Lahore Pakistan.

completion report, and other documents of the project have not been opened for the public to see and scrutinize.

Contrary to the ADB's NGO and Civil Society Center's (NGOC) claim in its policy paper, which has been approved in 1987 in cooperation with NGOs and community-based organizations (CBOs), widespread consultation by the Bank with civil society organizations (CSOs) and advocacy based non-governmental organizations (NGOs) have not been fulfilled in the case of LBOD.²¹

Conclusion

If we look at the matrix of the "Safeguard Policy Compliance," we can easily find that from project need identification, which clearly identifies that it is mandatory for the project team to clear the project from safeguard risks, to the project completion and post evaluation process, no heed was paid to the demands of local communities, ground realities and environmental demands.

From the simple "theoretical" information-sharing component to the very "practical" implementation ingredient, the ADB has violated the very fundamental policies set as its own established principles at all levels.

The practice of the ADB in the LBOD project is in contrast with the Public Communication Policy of the ADB, which clearly indicates that "Effective external relations and disclosure of information- i.e., more open and proactive communications - are central elements in building these partnerships. To gain trust and support participatory development, ADB must demonstrate openness and accountability by proactively sharing information with, and seeking feedback from, all of its stakeholders. ADB must also respond to information requests from its stakeholders."²²

Weakening the standards is a fundamental lack of accountability for compliance and lack of commitment by the ADB. This has made the Bank's lending a disaster for the local communities and the environment.

The LBOD project is already completed and the ADB now possesses very little stake in the project. The simple demand of the community is for the Bank to look into the issue of compensation for all the disasters caused by the LBOD project launching and for the redesigning of the entire project to avoid further deterioration.

Recommendations

- The ADB should first implement its set principles and safeguard policies in the case of the LBOD project.
- The ADB must develop a clearer, more transparent and open Public Communication Policy, Policy of Corporation with Civil Society, community-oriented information kit and participatory work style for future projects in Sindh.
- One of the members of investment portfolio consortium, the World Bank, has ordered an inquiry into alleged violations of its policy guidelines in the implementation of Pakistan's Left Bank Outfall Drainage (LBOD) and National Drainage Programme (NDP) that have caused large-scale loss to the people, ecological system and agriculture in Badin and adjoining coastal areas of Sindh.²³ In the same manner, the ADB should also initiate an inquiry about the failure of its own safeguard policies.
- The ADB should write-off the loan and award new packages to compensate the affected people by utilizing this fund in their rehabilitation and reclamation of the lost environment, ecology and agriculture. Extension of the LBOD in other parts of the country should also be shelved forthwith to avoid further losses.
- The ADB and other international lending agencies should accept the responsibility for the deaths and other disasters in Badin and Thatta districts as a result of the wrong design of the tidal link of the LBOD and announce compensation for the deaths of more than 300 communities, displacement of more than 5,000 people and degradation of thousands of acres of land before launching any new mega project. The ADB should rehabilitate the faulty tidal link of the LBOD and affected communities, paying them compensation, etc. As the LBOD project has completely failed, the ADB's share of loan of Rs31 billion of LBOD should be written off.

²¹ ADB, *ADB Cooperation with Civil Society, Annual report 2005*, Manila: ADB, April 2006.

²² ADB, *Public Communications Policy: Disclosure and Exchange of Information*, Manila: ADB, June 2005.

²³ The World Bank have had established a Review Panel to probe into violations of six policies and procedures. These are environmental assessment, natural habitats, indigenous peoples, involuntary resettlement, management of cultural property and disclosure of information.

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Lao People's Democratic Republic

ADB & Internal Resettlement in the Lao PDR¹

¹ Author is anonymous due to the political sensitivity of this subject in Laos.

Introduction

In the Lao PDR, the government's program of internal resettlement² is precipitating a humanitarian crisis among upland ethnic minorities. Donor funds, including those of the ADB, are being used to finance much of this widespread program of internal resettlement.

In the case documented below – the Basic (Girls) Education Project – an ADB loan was used by the Government of Laos (GOL) to advance internal resettlement without the Bank's knowledge, and in breach of the Bank's policy on Involuntary Resettlement. The case demonstrates a systematic failure of the Bank's policy on Involuntary Resettlement to have operational meaning in the Bank's lending, and raises significant questions about the potential unintended impact of US\$284 million of the ADB's lending to Laos. It illustrates the need for much stronger safeguard processes, as well as the undoubtedly inadequacy of applying a 'country standards' approach in this context.

Internal Resettlement in Laos

Laos is a remarkably ethnically diverse nation. Over half of the population belong to ethnic groups other than the Lao majority. Ever since coming to power in 1975, the Government of Lao PDR has sought to relocate ethnic minorities in remote mountainous areas to more accessible lowland areas. Although always sporadic, it seems efforts at internal resettlement have become much more systematic and widespread in the last ten years.

Internal resettlement in Laos has been motivated and justified by a number of different concerns. After the war, relocation was often driven by the government's concerns about rebel ethnic groups in remote areas. Security concerns are still periodically a factor in relocation efforts, especially with regard to the ethnic Hmong in some areas. More recently, though, internal resettlement has tended to be justified in terms of environmental protection and poverty alleviation. This is presented through the contentions that: (i) it is imperative to eradicate shifting cultivation (the agricultural practice of upland ethnic minorities) as a major cause of deforestation and an economically unproductive form of agriculture; and (ii) it is necessary to locate minority groups in more accessible areas so as to provide basic services such as health and education. Closely connected to both of these has been international concern to eradicate opium poppy cultivation practiced in remote upland areas of northern Laos. Underlying all of these factors, it is clear that part of how the Lao Government implicitly understands 'development' is for backward minorities to become more closely assimilated into the more 'civilized' dominant Lao culture.

Internal resettlement of upland ethnic groups in Laos is driven by three primary mechanisms:

1. *Focal sites* - this refers to one of the government's primary methodologies for poverty alleviation, which is to concentrate large numbers of ethnic minorities into selected areas for the purpose of cost-effective delivery of development assistance. Focal site development is focused on establishing infrastructure - roads, schools, health clinics, irrigation schemes, market facilities, etc.
2. *Village consolidation* - similar to the focal site idea, but on a smaller scale, this consists of consolidating small scattered settlements into larger settlements (usually pre-existing villages). An order of the Politburo in 2004 decreed that no upland village should have fewer than 200 people.
3. *Land and Forest Allocation* - this is a process of land use planning that has been used to severely circumscribe the area available for traditional shifting cultivation. This has led to rapid soil deterioration and increases in pests, which has in turn produced severe food shortages in upland areas. The effects of land and forest allocation have been a major push factor in internal resettlement.

One of the contentious issues surrounding internal resettlement is the extent to which it is voluntary or involuntary. However, the complex mix of coercive direction and indirect pressure in Laos makes these distinctions problematic. One pair of scholars has observed: "The distinction between 'voluntary' and 'involuntary' resettlement makes no sense in the Lao context." (Everard & Goudineau, 2004, p.947). Another report claims that, "almost all of what is classified as voluntary settlement in Laos is, in reality, not villager-initiated" (Baird & Shoemaker, 2005, p.15)

Since 1997, there has been a significant raft of studies that have collectively documented what can only be termed as a humanitarian crisis directly precipitated by the government's practice of resettling upland ethnic minorities. These studies have come from a range of sources – UN agencies, bilateral aid agencies, INGOs and even the ADB itself -- but all have described alarming trends of severe impoverishment following resettlement. (See Table 1) Some of the findings consistent across these studies are:

1. Resettlement of upland communities has been largely a product of coercive measures (especially land/forest allocation) and is often very poorly implemented.

² 'Internal resettlement' refers to the systematic relocation of communities from one area to another, as opposed to project-related displacement, or refugee resettlement.

1997	UNESCO/UNDP, <i>Resettlement and Social Characteristics of New Villages: Basic Needs of Resettled Communities</i>
2001	ADB, <i>Participatory Poverty Assessment: Lao PDR</i>
	Action Contre la Faim, <i>Resettlement in Long District, Luang Namtha Province</i>
2002	SIDA, <i>Poverty Alleviation for All, Potentials and Options for People in the Uplands</i>
2003	Action Contre la Faim, <i>Resettlement in Long District, Luang Namtha Province, Update 2003</i>
2004	Comite de Cooperation avec le Lao (CCL), <i>Shifting Cultivation and Poverty Eradication: A Complex Issue</i>
	UNDP/ECHO, <i>Service Delivery and Resettlement: Options for Development Planning</i>
2005	Action Contre la Faim, Lao PDR: <i>Is Resettlement a Solution for Human Development?</i>

2. Resettled communities frequently have insufficient suitable land and insufficient support to establish viable livelihoods in their new locations.
3. Chronic food shortages among resettled communities are commonplace.
4. Resettled communities frequently experience serious decline in health, with alarming mortality rates. One study documented 30 percent mortality rates in the early years of resettlement³ and another recounted a case where a resettled community of 500 households experienced 300 deaths within two years.⁴
5. Population pressure in resettled sites often leads to land, resource and cultural conflict.

Another important area of direct involvement was through supporting the land and forest allocation process, which has played such an important role in forcing upland communities to move. Likewise, donors perhaps played the key role in opium eradication programs, which often led to the resettlement of upland communities. In 2005, the INGO Action Contre la Faim released another report that was also very critical of donor involvement in resettlement in Laos (Gonzales *et al.* 2005).

More generally, there was widespread endorsement and support amongst donors for the government's policy of eradicating shifting cultivation, as well as tacit support for the logic of seeing focal sites as hubs of service delivery.

International Donor Complicity in Internal Resettlement

In 2005, an important study by Baird & Shoemaker entitled, "Aiding & Abetting: Internal Resettlement and International Aid Agencies in the Lao PDR," was released which highlighted the often unwitting, sometimes active, financial support which international donors provided for the government's internal resettlement program. This support could take a number of different forms. Direct support for internal resettlement most commonly took the form of donors providing the infrastructure and services that underpinned focal site development; that is, road links, water supply, irrigation, health clinics, schools and market facilities. Many donors were unaware that these sites were being used as the basis for relocating ethnic minorities; some others actively supported the concept.

While not providing numerical data, the Baird & Shoemaker report provides a picture of *endemic* international donor involvement in the various processes of internal resettlement. In very few cases are donors critically aware of the complex issues involved, or willing to address difficult issues when they do become aware. In the case of the ADB, both of these factors have been clearly evident in the Basic (Girls) Education Project.

The ADB Basic (Girls) Education Project

The ADB Basic (Girls) Education Project began in 1998, which was co-financed with the Australian Government, with the purpose of building schools and providing education support to ethnic minorities in remote areas.

³ Goudineau, 1997, p.28

⁴ ADB, 2001, p.62

However, the Baird & Shoemaker report has recorded that due to poor oversight, many of the 450 schools were built with government backing to entice villagers to relocate to the lowlands or near roads. In one case, the school was built 90 km away from where the village it was supposed to serve was located, with the idea that the village would move near the school. In another case, a school was built at a new relocation site, and was used to entice 47 ethnic Brao families down from the mountains. When they arrived they found that the land allocated to them was not suitable for agriculture. However, the government would not allow them to move closer to a better land, because the school had already been built at the original resettlement site.

People working with the project claimed that this sort of problem was widespread because they did not have the resources to visit all the sites, and so were easily kept in the dark by government staff. In a couple of cases, project contractors learned of this misuse and objected

to the GOL, citing the ADB's Involuntary Resettlement Policy. In response, the GOL provided letters supplied by village headmen stating that the relocation had been voluntary, and that resettlement was planned prior to the time when the ADB-financed school was built. Project contractors suspected that these letters had been signed under pressure from the government. However, Bank staff were happy to accept them without validation. Project contractors considered that the Involuntary Resettlement Policy had been violated, but that staff at the Bank did not want to challenge the GOL, fearing that doing so would hold up the loan and prevent the continued implementation of the project.⁵

How much ADB money has supported internal resettlement in Laos?

The striking fact about the above case study is that no one in the Bank expected that a school building project could have unintended implications on internal

Specific claims in the Baird and Shoemaker report (pp.23-24):

1. A school that was built for Done Phai village, Sanamxay District, Attapeu was built adjacent to the main road, several kilometers away from the upland village site
2. In Vieng Xay District, Houaphan, one school was built 90 km away from the village for which it was intended
3. In 2005 a Brao village, Ban Bonglakhone, was enticed by local government officials to relocate to the other side of the Kong River so that they would be near a school funded by the project--this was this village's second relocation in recent years
4. In February 2005, a school was built at a relocation focal site in anticipation of future relocation. In March of the same year, 47 Brao families from Mak Kiang moved to the site with 25 remaining in the mountains. Relocates were allocated some land for paddy, but the soil quality was poor and unfit for rice. Villagers then found some better land, but it was far away; they wanted to move again to be closer to the good land; but the local government denied their request because the ADB-financed school was already built for them. They had to stay on the unfit land.
5. These sorts of problem are widespread. Primarily, provincial and district officials decide where the schools are built without informing the project of the link between schools and resettlement plans. It is claimed that in many cases, the GOL have misled the ADB about their actions.
6. Project contractors did not have the resources to visit all schools or villages and often found out about problems from outsiders.
7. In cases one and two above, project staff objected to the GOL when they found out, citing the ADB's Involuntary Resettlement Policy requiring GOL to assess the resettlement situation to become eligible for the loan. The GOL responded by providing letters signed by village headmen saying that villagers had decided to move before the construction contracts were tendered. Project contractors suspected that the government had pressured the village headmen. However, ADB staff accepted the letters without verification, and considered the matter closed. Project contractors considered that the policy had been violated.
8. People working with the project claimed that the ADB was not willing to challenge the letters, because its primary concern was to disburse the loan, rather than comply with policy. ADB staff did not want the loan to be held up.

resettlement. It seems that the broader country context has been ignored in the initial social assessment (ISA), and this seems to be the case for ADB projects across Laos. A survey of resettlement frameworks that have been developed for ADB projects in Laos shows that they are all restricted to direct displacement caused by the project's own infrastructure provision.

Significantly, the ADB has been a vocal supporter of the GOL's goal to eradicate shifting cultivation, which is the primary policy framework that has been used to justify internal relocation. Indeed, eradication of shifting agriculture was stated as one of the key goals of the ADB's *Country Strategy and Program 2002-2004* (p.ii). Furthermore, the ADB has supported the focal site strategy as the most efficient means of delivering rural infrastructure. A recent report has acknowledged that relocation to focal sites has caused 'misery to uplanders'. Nevertheless, the report claims that this is because focal sites *have not received enough donor support* as of yet, and urges the donors to 'boldly participate in it [the focal site strategy], and bring prosperity to the resettled people, and at the same time reduce the cost of delivery of government services in the long run'.⁶ Overall, there has been a high degree of consonance between the ADB's goals and ways of working in Laos, and the GOL's internal relocation agenda.

This begs the question: how much ADB money has been used to finance internal relocation of ethnic minorities. Below is a list of projects since 1995 (when the Involuntary Resettlement Policy came into force), which have components similar to those identified as contributing to the GOL's internal relocation agenda (ie. focal site infrastructure, village consolidation and land and forest allocation). The sum total of these projects has amounted to US\$284 million dollars--a massive amount in GOL budgetary terms.

How much of this US\$284 million has contributed to unintended internal relocation? Only one thing is for certain: **the ADB does not know!**

Implications for ADB Policy on Involuntary Resettlement (IR)

1. The Bank's current policy is almost completely focused around project-induced displacement, and provides no framework to analyze a project's relationship to a broader relocation agenda. The policy even categorizes government-organized transmigration programs as "voluntary," and sees them as a positive stimulus to economic growth.⁷

2. This has led to a *systematic failure* of the initial social assessment (ISA) process in identifying a DMC government's internal relocation agenda as a major factor impinging on a project, which affects indigenous peoples and creates unnecessary resettlement.
3. Nevertheless, the above case clearly illustrates that the first principle of the Bank's policy on IR is being frequently breached:

"Involuntary resettlement should be avoided where feasible."⁸

It is also a breach of principles 3, 4 and 5:

- That people "should be compensated and assisted so that their economic and social future will generally be at least as favorable with the project as without it. Appropriate land, housing ... should be provided;
- That "Any involuntary resettlement should ... be conceived and executed as a part of a development project";
- That "The affected people should be fully informed and closely consulted on resettlement and compensation options."⁹

4. The above case raises the question of what meaning a policy has when project staff or ADB staff have no capacity to monitor implementation, or to demand compliance from DMC governments. The Bank either needs to find a way to ensure policy compliance, and penalize non-compliance, or abandon the charade of having any quality assurance over the money that it disburses.
5. It seems that the operational structure of the ADB provides incentives for loan disbursement and not policy compliance--in fact, incentives for loan disbursement act as *disincentives* for ensuring policy compliance.
6. In this case, there was no willingness or incentive to investigate or act on a potential breach of policy. In this case, it was the contracted project staff that actually raised the issue, and *ADB staff* who neglected to take further action.
7. The ADB accepted letters from village headmen (stating that the villages had been planning to move since before the ADB project began) is sufficient evidence of policy compliance, in a context where government pressure on village headmen must be

⁵ Baird & Shoemaker, pp.23-24

⁶ Saxena, , p.51.

⁷ ADB, 1995, para. 9.

⁸ Ibid., para. 34, i.

⁹ Ibid., para. 34, iii; iv; v.

PROFILE OF PROJECTS USED TO PRESSURE RELOCATION	ADB PROJECTS WHICH HAVE THESE COMPONENTS	(in \$US million)
Focal Site infrastructure & service delivery: Roads Schools Health clinics Irrigation Market facilities	Sustainable Natural Resources Management for Poverty Reduction (PPTA 2005)	0.9
	Roads for Rural Development (2004)	17
	Northern Community Managed Irrigation (2004)	10
	Northern Area Rural Power Distribution Project (2003)	30
	Second Education Quality Improvement Project (2001)	20
	Rural Access Roads (2000)	25
	Primary Health Care Expansion Project (2000)	20
	Shifting Cultivation Stabilization (1999)	5.6
	Basic Education (Girls) Project (1998)	20
	Smallholder Development Project (2002)	12
	Northern Economic Corridor Project (2002)	30
	GMS: East-West Economic Corridor (1999)	32
	Nam Ngum River Basin Development Sector Project (2002)	15
	Xieng Khouang Road Improvement Project (1997)	46
Land and Forest Allocation	Shifting Cultivation Stabilization	(above)
	Sustainable Natural Resources Management for Poverty Reduction (PPTA 2005) (?)	(above)
	Nam Ngum River Basin Development Sector Project (2002) (?)	(above)
	Poverty Reduction Through Land Tenure Consolidation, Participatory Natural Resources Management ... (2004)	0.85
Village Consolidation	?	
Total (million \$US)		284.35

assumed. If this is considered an acceptable standard, then it virtually represents a 'Get Out of Jail Fee' card for evading the prescriptions of a safeguard policy.

8. The IR policy has no clauses stipulating what actions must be taken where there is a breach of policy, or suspected breach of policy.

9. In the case of Laos, a "country standards" approach to involuntary resettlement is clearly unacceptable. Here, the "country standard" is precipitating a humanitarian crisis, as evidenced by a range of studies. **If the Bank is to operate in Laos in a way that respects human rights, then it requires its own effective safeguards measures to ensure this.**

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**Of Deception and Destruction:
Social and Environmental Impacts of ADB-Financed Khulna Jessore
Drainage Rehabilitation Project (KJDRP) in Southwest Coastal Region
in Bangladesh**

Zakir Kibria of Bangla Praxis

Executive Summary

The Bangladesh Water Development Board (BWDB) in 1994-1995 initiated the Khulna-Jessore Drainage Rehabilitation Project (KJDRP) with a US\$62-million financing from the Asian Development Bank (ADB) in southwest coastal districts in Bangladesh. The stated objective of KJDRP was to mitigate water logging problem and alleviate river drainage congestion. The project ignored environmental concerns raised in the summary initial environmental examination (SIEE) and embarked on a structural construction-based design in an ecologically fragile river system.

The local communities, skeptical of the project design, launched massive movement and proposed alternative ecologically sound approaches/concept. The concept later entered into the lexicon of water “experts” as the tidal river management (TRM). Local communities demanded environmental and social impact assessment (EIA and SIA, respectively). The EIA and SIA recommended the people’s concept of TRM and commented that it is cost-effective, environment friendly and acceptable to the people. In 1997 and 1999, the ADB sent fact-finding missions and endorsed the viability of the TRM. However, the TRM was not implemented according to people’s proposals.

The failed project has now left a legacy of social and environmental disasters exemplified by silted up dead rivers, permanent inundation of thousands of hectares of land, loss of indigenous variety of fish and crop biodiversity, and has driven fisher folks out of work. Moreover, the land acquired for the TRM was not compensated. Local wisdom and water management practices were undermined. KJDRP was officially completed in 2004.

This case study is an attempt to document, understand and analyze the project, community experiences, people’s movement against the project and ADB’s failure to protect people’s rights.

Zakir Kibria
BanglaPraxis - A Collective Initiative for Research and Action

Introduction

“The design and implementation of development projects should recognize adequately and timely the wisdom, knowledge and practical experiences of the potential beneficiaries. For example, project implementation delays could have been reduced if the beneficiaries demand for the TRM system had been appreciated early.”

Project Completion Report (PCR),
Khulna-Jessore Drainage Rehabilitation Project
(KJDRP), The Asian Development Bank (ADB).

The ADB has been one of the major investor in the water sector of Bangladesh; primarily financing projects in flood control, irrigation (FCDI) and integrated water resource management (IWRM) sector, which also include river management. ADB lending in this sector is increasing with a number of ongoing projects, and further projects are in the pipeline. In recent times, the ADB has renewed its intervention in public water and sanitary (WatSan) utilities. These include structural upgrading of existing facilities,¹ formulating of the policy framework, cost recovery and facilitate privatization of public water utilities.² The ADB, which enjoys immunity from national laws in Bangladesh, has been accused of causing social and environmental damages with its projects. The ongoing review of the ADB safeguard policies provides us an interesting opportunity to investigate the implementation of its policies in Bangladesh.

Objectives of the Study

- Document, investigate and analyze the efficacies of the ADB safeguards and implementation policies;
- Investigate social and environmental impacts caused by inadequacies of the ADB safeguard policies and its implementation;
- Provide recommendations for further changes.

Scope of the Study

This study will primarily focus on Khulna Jessore Drainage Rehabilitation Project (KJDRP) to examine the efficacies of the ADB safeguard policies and its implementation. In Bangladesh, the ADB has been heavily funding flood control and irrigation (FCDI) sector. ADB lending in this sector is increasing with a number of ongoing projects, and further projects are in the pipeline.

Methodology

- Primary and secondary literature review, such as ADB and Government of Bangladesh (GOB) project documents, relevant studies and report.
- Interviewing project-affected people
- Community meeting: group discussion with project-affected community
- Visiting project area.

ADB Safeguard Policy Review³

The ADB is currently conducting a consolidated review of its safeguard policies namely, Environment, Indigenous Peoples and Involuntary Resettlement in the beginning of 2005. According to a discussion note, “Pursuant to ADB’s reform agenda, there is recognition of the need to enhance the effectiveness and outcome orientation of ADB’s safeguard policies, while at the same time streamlining procedures and reducing transactions costs.”⁴

The discussion note further stated, “Ongoing multilateral development bank (MDB) harmonization efforts have placed emphasis on the desirability for development partners to harmonize their practices and procedures around country systems, including country safeguard systems.” In civil society opinion, the ADB has a bad track record on the bad implementation of these policies. Many of the projects that the ADB financed recently have been criticized for non-implementation or lack of implementation. There are many violations of the ADB safeguard policies either by ADB staff or by the local executing agencies.

It is expected that the ADB safeguard policies will result in social and environmental frameworks that closely mirror those recently established at the World Bank Group.⁵

¹ The World Bank and bilateral donors have been dominating in this sector and recently Japan Bank for International Cooperation (JBIC) has started to fund heavily.

² ADB PPTA: PPTA: BAN39405-01, Dhaka Water Supply and Sanitation (ADB, 2005).

³ Draws heavily on Zulfiqer Halepoto (Halepoto, 2006)

⁴ NGO Forum on ADB, *What is ADB Safeguard Policy Review?*

Comments of NGO Forum on ADB. <http://www.forum-adb.org/Policy-Safeguards.html>.

⁵ Bank Information Center (BIC), http://www.bicusa.org/bicusa/issues/misc_resources/2851.php

KJDRP: Brief Description of Project Area

Ecology and Indigenous Water Management Practice in Southwest Coastal Region in Bangladesh

Southwest coastal region of Bangladesh is a unique brackish water ecosystem comprising the districts of Satkhira, Khulna, Bagerhat and the southern part of Jessore. The region is a tidal wetland, flooded by high tide twice a day in harmony with the lunar cycle. The region is rich in biodiversity with hundreds of species of fish and saline tolerant rice varieties.

The local communities have developed an indigenous knowledge system of water and river basin management uniquely adapted to this natural process. Local communities have used to construct temporary earthen embankments, low dikes and wooden sluice gates around the areas to protect the arable land from saline water intrusion. During rainy season, farming communities exchange saline water of their fields with river water when it becomes almost sweet. Sweet water normally minimizes the salinity of the land. Thus, they get good harvest and variety of fish. It is based on a local practice called *doser badh* (embankment construction by community) or *ostomasi badh* (embankment for eight months), and effective and innovative management of tidal flow and sediment for agricultural production and land formation. The process allows the sediment carried by tidal flow to deposit on the *beels* or wetland basins. The deposited sediment raised the land level of the wetlands. Due to this traditional community-based practice, based on “solidarity economy”⁶ and indigenous ecological knowledge, there comes a balance between sedimentation and land subsidence in the area.⁷ Hence, the ecology has evolved in an area which is in equilibrium. It is a unique system of land-water interface developed over hundreds of years of experience and practice.⁸

Advent of Centralized and Institutional Water Management

In the 1960s, a centralized state water bureaucracy was established according to the report of the Krug Mission

setup by the United Nations.⁹ Following the recommendations of the East Pakistan Water and Power Development Board (EPWAPDA) report was established, an irrigation department was merged with it. (Kibria, 2005) A Water Master Plan was prepared in 1964. It introduced a compartmentalized polder or enclosure system in the southwest tidal areas. Thirty-seven polders, 1,566 km of coastal embankment and 282 sluice gates were constructed in the coastal area with funding from USAID to prevent intrusion of saline water from the sea and “recover” more land for cultivation of high yielding variety (HYV). The compartmentalized polder/enclosure system separated the floodplains from the rivers and turned wetlands into dry lands. (Adnan, 2006) Thirty-seven polders/enclosures were constructed in Khulna, Satkhira and part of Jessore districts. (Ali, Reshad Md Ekram and Moinuddin Ahmed, 2001)

A polder is a tract of land, surrounded by dykes in which the discharge and supply of surface water are artificially controlled. The polder/enclosure system has been developed and implemented in line with the “green revolution” paradigms to “grow more food.” The idea has been to promote cultivation of HYV crops in dry lands with controlled irrigation. (Adnan, 2006) In the subsequent decades, several similar projects have been undertaken in the region.

Interventions of Aid Agencies and IFIs

Almost all these projects were undertaken with finance and policy “advice” from aid agencies and international financial institutions (IFIs).¹⁰ Projects undertaken in the southwest region in this period include USAID-funded Coastal Embankment Project (CEP), and the ADB-funded Coastal Embankment Project-2 (CEP-2) and Khulna Coastal Embankment Rehabilitation Project (KICERP). These projects and polder/enclosure model were exported western technology, often implemented with “assistance” of high paid consultants. These projects performed well till the 1980s with increased cropping intensity (mostly HYV rice), but has caused erosion of local crop varieties and biodiversity.¹¹ The latest project in line has been misleadingly entitled, “Southwest Area Integrated Water Resources Planning and Management,”

⁶ The development theoreticians and practitioners have not yet paid adequate attention to the idea of “solidarity economy.”

⁷ Southwest coastal region is an active delta and land subsidence is a natural characteristic of the region.

⁸ The unique practice of “overflow” irrigation and wise use of sediment by the farming communities in the Bengal delta was noted by pioneer colonial researcher, Sir William Willcocks. He also noted that the prime issue of river basin management in Bengal delta is effective management of sediment. But water resources planners and engineers neglected this illuminating observation (Kibria, 2006b).

⁹ In 1957, the Krug Mission was set up by the United Nations after the severe flooding in 1954, 1955 and 1956. For more details and history of river management in Bangladesh, see Zakir Kibria (Kibria, 2005a).

¹⁰ The World Bank (WB) and the ADB policy “advice” (read diktat) formulated bulk of the approaches to water and river basin management in Bangladesh since the 1972 IBRD water sector study, which included flood control, drainage and irrigation (FCD/I) approaches and culminated in the controversial Flood Action Plan (FAP) in the 1990s. Civil society protest stopped the FAP and the WB had to withdraw from the water sector of Bangladesh. The WB has signaled its willingness to invest again in the water sector with the publication of Bangladesh Country Water Resources Assistance Strategy (The World Bank, 2005).

¹¹ Shapan Adnan (Adnan, 2005) has done a revealing study on links between agricultural paradigm of “green revolution” and water management, flood control and irrigation in Bangladesh.

which was funded by the ADB and the Government of the Netherlands.¹²

Adverse Environmental Impacts: Drainage Congestion of Rivers and Water Logging

The ill effects of the polder/enclosure system surfaced. This was exemplified by deposit of silt on the riverbed, drainage congestion and water logging in massive areas creating disastrous consequences for the local communities with inundation of massive areas under stagnant water that seriously jeopardized people's livelihood and the environment. Due to the construction of permanent embankments on both sides of the rivers, tidal flow could not enter into the tidal wetlands. Almost all the estuaries began to silt up at the upper end of the southwest tidal region. In the pre-polder period, the high tides used to deposit silt on the tidal wetlands during the months of January to June when local people used to breach the temporary earthen embankments (*ostomasi badh*) built for the period from July to December. But the construction of polders sedimentation in river channels has caused very rapid deposition on the river channels. This process ultimately raised the riverbeds in comparison to adjacent *beels* or wetlands. Due to non-deposition of sediment, the wetlands subsided and gradually took the shape of lakes and over 106,000 hectares of land became permanently water logged. Water logging has brought extreme suffering to the local communities in the region. Salinity has increased due to capillary action and vast areas of agricultural land lost soil fertility. Many rivers dried up. Many villages have been submerged and communication system has collapsed, surface as well as inland water transport. Many people moved onto embankments and roadside.

Educational institutions have been severely damaged and children have been forced to discontinue education. Biodiversity and livestock have been adversely affected. Firewood and pure drinking water have become scarce. Waterborne diseases like diarrhea and scabies have become endemic. Moreover, unemployment has forced many people to migrate to urban areas in search of livelihood.¹³ (Uttaran 2005a and 2005b)

KJDRP: Description of the Project

The Project Location

The ADB designed and funded the KJDRP to "support" the efforts of the Government of Bangladesh to reduce poverty by alleviating river drainage congestion. The project was spread over Batiaghata, Daulatpur, Dumuria and Phultata upazillas¹⁴ in the district of Khulna and Abhaynagar, Keshabpur, Jessore Sadar, and Manirampur upazillas in the district of Jessore, covering about 100,600 hectares of area in southwest coastal region in Bangladesh (ADB, 2004b).

Project Schedule

The KJDRP loan was approved on 14 December 1993. The loan agreement was signed on 17 December 1993, and became effective on 4 April 1994 (compared with an effectiveness date of 17 March 1994 in the loan agreement). KJDRP was scheduled to close on 31 December 1999, but the ADB had to extend the closing date for 36 months due to delays in implementation. The loan closed on 18 March 2002. The Project Completion Report (PCR) was released on September 2004.

Claimed Objectives of KJDRP

The objectives of the project are to reduce poverty by increasing agricultural production and creating jobs. The project aims to achieve these objectives by: (i) mobilizing beneficiary participation in the design, implementation, and operation and maintenance (O&M) of the project facilities; (ii) rehabilitating the drainage infrastructure to reduce drainage congestion, and protecting the project area from tidal and seasonal flooding; (iii) supporting the expansion of agricultural extension services to the agricultural lands under the project; and (iv) supporting fisheries management in the polder areas to safeguard the supply of fish caught and consumed primarily by the poor (ADB, 2004b).¹⁵

Project Costs

At appraisal, the cost of KJDRP was estimated at US\$62.7 million. The actual cost was US\$44.9 million or 72 percent of the appraisal estimates. The estimated disbursement of loan proceeds was US\$54.1 million, while actual disbursement was US\$32.6 million. The ADB

¹² ADB Loan: BAN 34418-01. The government of The Netherlands is a co-financier in the project. Uttaran and Paani Committee and BanglaPraxis have started monitoring the project. International IFI watchers like Bank Information Center (BIC), based in Washington DC, USA, with a new South Asian office in Delhi, and NGO Forum on ADB, based in Manila, are providing technical and knowledge support in the monitoring process. BothEnds, a Dutch NGO, is involved in monitoring The Netherlands government's role in the project.

¹³ Jolaboddota o Koronio (Uttaran, 2005b) for detail analysis of water-logging problem in the southwest region.

¹⁴ An *upazilla* is the next administrative unit under a district, also known as *thana*.

¹⁵ See Project Completion Report (PCR) for details of the project component (ADB, 2004b).

“contributed” US\$32.6 million or 70 percent of the actual costs. The Government of Bangladesh contributed US\$12.3 million or 27 percent of the cost. The ADB financed US\$18.5 million equivalent or 60 percent of local currency cost, which was 41 percent of the project cost. A change in project design and depreciation of local currency against the US dollars resulted in cancellation of US\$16 million of the loan fund. (ADB, 2004b)

Project Constructions

KJDRP dredged 1.6 million cubic meters of rivers and 11.1 million cubic meters of drainage channel. The project also constructed 25 drainage inlets, seven hydraulic structures, 19 sluice gates (rehabilitated), 60 vertical lift gates, 38 culverts, 30 foot bridges, one boat berth, and 20 outlet structures. Further, 33.4 km of embankment, 111 km of access roads, 10 km of tidal basin perimeter dyke, 12 km of marginal dyke, 10 km of protective perimeter, and 2.5 km of riverbank protection were constructed. The project also constructed two closures in Beel Bhaina, five cross dams in upper Bhadra River, and one river closure at Ramdia. Dredgers bought under the project were used for dredging works totaling 7.8 km. Additional 22.5 km were dredged by groups formed under the project.

Design Proposed by Community: Tidal River Management (TRM)

The tidal river management (TRM) is a people’s concept generated from indigenous knowledge system in water and river basin management in the southwest tidal region and a contribution to the lexicon of water “experts.” Throughout the 1980s and 1990s, due to repeated failure of “system rehabilitation approach,” drainage congestion in river channels and perennial water logging problem have beleaguered local people, breached embankments in many locations that allowed tidal flow into wetland basins. The authorities termed it “public cut.”¹⁶ (Adnan, 2005) This placed the local communities in direct confrontations with water bureaucracy and law enforcing authorities. The objective of these “public cuts” was to drain out stagnant water and raise land by deposited silt on the tidal wetlands and relieve drainage congestion in river channel.

Peoples Negotiation during Implementation of KJDRP: Engaging ADB

During the implementation of the infamous KJDRP, local people remained skeptical of the project and demanded a complete environmental impact assessment (EIA) and social impact assessment (SIA). In the consultation for the EIA and SIA conducted by CEGIS (then called EGIS), local people demanded their idea of TRM to be included in the project. In the beginning, project authorities were not interested to include TRM as an option.

Successful advocacy by Uttaran, Paani Committee and national level civil society forums has led CEGIS to study people’s ideas and has recommended TRM as an option in the project.¹⁷ The EIA has recommended that TRM is technically sound, economically viable, environment friendly and acceptable to people. (EGIS, 1998) Project authorities has remarked in its report that local people could not articulate the exact location where TRM is to be implemented. This remark is an interesting example of engineers and water experts’ inability and unwillingness to understand indigenous knowledge, vocabulary and paradigm in water and river basin management.

Inadequate Implementation of TRM in KJDRP

Later, KJDRP partly implemented TRM in Beel Kedaria of Hari River basin. But people’s concept of TRM is different from the TRM implemented by the project. The project authorities implemented TRM only to ensure drainage in river channels. TRM was not implemented in its true meaning. KJDRP established a permanent tidal basin in Beel Kedaria. On the other hand, local communities demanded rotational TRM in the beels or wetlands of the region. The project authorities implemented TRM through existing regulator, not cutting the embankment and allowing open flow of tide in the wetland as demanded by local communities.¹⁸

Peoples Actions for Sustainable Solution: Experimenting with TRM

The way TRM was implemented by authorities did not live up to people’s aspirations and true conceptual meaning of TRM. Local communities experimented with the concept in several *beels* or wetland basins in

¹⁶ In official and administrative narrative, the term “public cut” sees the event and issues as a “law and order problem,” not an expression of people’s desire and initiative to mitigate environmental problem through a collective process. See Shapan Adnan (Adnan, 2006) for a discussion of the “public cut.”

¹⁷ Uttaran and Paani Committee played a lead role in the campaign against KJDRP. Detention orders were issued against Shahidul Islam, Director of Uttaran and a number of activists of Paani Committee. Uttaran and Paani Committee are now working on to mitigate the problems created by the project. BanglaPraxis, a Dhaka based public interest research, advocacy and campaign organization focused on accountability of IFIs is working on to ensure accountability of the ADB beyond the official completion of the project. Bank Information Center (BIC), NGO Forum on ADB and BothEnds, three leading IFI watchers, are providing technical and knowledge support.

¹⁸ Contempt to local initiatives in water management is endemic in the centralized state water bureaucracy of Bangladesh. See Jennifer Duayne (Duayne, 1998) for more details on bureaucratic attitudes to local initiatives in national water management projects.

southwest region, in Beel Dakatia (1989-1990), and in Beel Buruli-Pathra (1993-1994). The most successful was in Beel Bharat-Bhaina in Hari River basin (1997-2000). The people's idea and objective of TRM was not only to improve drainage. The basic idea of TRM was simple: to allow tidal flow into wetland basin, known as *jowar-bhata khelano* (free play of tidal flow) in local vocabulary, and releasing the tidal flow back to the river. As a result of this process, sediments carried tidal flow deposits on the wetland basin instead of riverbed. The process has been continued for several years (usually three years, the duration depends on the size of the wetland basin). It has gradually raised the land on the wetland basin with formation of alluvial soil from silt. This was a unique system of tidal flow and sediment management. The TRM has prevented sediment deposition on the riverbed and has ensured the drainage and smooth navigation in river channels.

Social and Environmental Impacts: of Deception and Destruction

"A realistic assessment of loss of income can be made only after project completion and a plan can be prepared at this stage. The government confirmed that compensation would be undertaken at project completion stage."

Aide Memoire
December 14-17, 1998
Asian Development Bank (ADB)

Water Logging Problem Persists

One of the claimed objectives of KJDRP was to mitigate the water logging problem in the region by relieving drainage congestion in the rivers. Practically the water logging problem has become worse and permanent, and has made far more difficult and complex to mitigate.

The problem of water logging has worsened in north-west (Jessore part) of the project area. Water logging problem has spread to Hari-Mukteshwarai and upper Bhadra River basin.

Ecological Degradation of the Rivers

KJDRP has further worsened the drainage problem in the region and killed a number of local rivers. Hamkura River is now silted up and dead. Thirty-five kilometers of the Hamkura River has been alive and flowing before the implementation of the KJDRP. The Hamkura River flow was divided by the project to Hari River basin and upper Sholmari basin despite repeated objection by the local communities.

Water logging problem in Hamkura River basin still persists, in polder 27/1 and polder 25. The connection between upper Bhadra and Buri Bhadra is now almost dead. Rivers in north-west part of KJDRP area, namely, Teligati, Hari upper Bharda and Harihar, are now under threat. The situation would have further worsened if local communities did not implement TRM in Beel Bhaina.

Downstream Impact

KJDRP has seriously impacted the rivers downstream of the project areas. The connection between Ghengrail and Salta has been severed by KJDRP. Navigability of Ghengrail and lower Salta has substantially been reduced. The Jhopjhopia River is now almost dead as its connection to the lower Salta River has been severed. The project has also increased siltation in the mangrove forest of Sundarbans, a UNESCO-declared World Heritage Site, further downstream of the project area.

Impact on Fisheries

Although the Summary Initial Environmental Examination (SIEE) report of the project warned about the impact on indigenous fish species, KJDRP failed to ensure fish pass or other fish-friendly measures in its construction.

The SIEE report of KJDRP rightly warned that the annual flood cycle is an essential element in the life history of most fishes, and many of the riverine species migrate considerable distances upstream to spawn and travel back. The report also warned that embankments and their various regulating structures will interfere with fish spawning migrations from rivers to floodplains inside the polders.

The report also noted the Fish Pass Study being conducted then under Flood Action Plan (FAP), and recommended constructing each regulator appropriately under fish friendly design. The study suggested installing fish ladders. KJDRP did not comply with its own SIEE Report.¹⁹ As a result, a number of local indigenous fish varieties have now become almost extinct and local fisher folks have been out of work.

Development Induced Displacement and Income Loss

The project constructed fixed tidal basin on 600 hectares land in Beel Kedaria. Local communities demanded compensation for the land acquired for the tidal basin. Project authorities argued that the land was already water logged and in their view, the owners of the land did not get any income from it. On this ground, KJDRP authorities did not pay any compensation to landowners. Although the tidal basin constructed in Beel Kedaria was not a rotational basin, it has been a fixed basin. The ADB Aide

¹⁹ See the Summary Initial Environmental Examination Report for details (ADB, 1993)

Memoire, dated 14-17 December 1998, commented that, *"A realistic assessment of loss of income can be made only after Project Completion and a plan can be prepared at this stage. The Government confirmed that compensation would be undertaken at project completion stage."* (ADB, 1998)

The owners of the land were never paid compensation. Interestingly, the ADB has recently signed a technical assistance grant to the Government of Bangladesh under which a national policy on involuntary resettlement will be developed.²⁰ (ADB, 2004a) The ADB has continued to shape and dictate the policies and regulatory framework in Bangladesh while it did not pay compensation for the land acquired in its project!

Inadequacies of the ADB Safeguard Policies and Implementation

The current safeguard policies of the ADB requires that local communities are consulted, adverse impacts identified, measures taken to avoid or minimize impacts, and affected peoples are compensated for development induced displacement and income loss.

ADB's intervention in southwest coastal region by implementing the KJDRP has failed to minimize environmental impacts identified very early at project formulation stages in the SIEE. Local communities were

also not compensated for the land acquired and subsequent crop and income loss when KJDRP established the Tidal River Basin in Beel Kedaria. Although ADB documents claim that project officials were aware of the situation and even promised that *"a plan can be prepared"* and *"compensation would be undertaken at project completion stage,"*²¹ the Bank failed to live up to its promise. The ADB also failed to listen to community voices and admitted officially that the project could have been implemented with enhanced efficacies if they appreciated local people's suggestions, proposal and wisdoms in early stages of the project design.²²

Conclusion and Recommendation

The ADB as an institution has serious learning disability. It has not educated itself from its mistakes done in KJDRP. It has now launched a new project in the same region, partly to mitigate the same problems it claimed to address in KJDRP.²³ The ADB has also initiated a new technical assistance grant to develop a national policy on involuntary resettlement. (ADB, 2004a) It continues to dictate terms to facilitate its purposes and cover its trails. The ongoing consolidated review of the ADB safeguard polices is an interesting moment for project-affected communities, NGOs and civil society to challenge the ADB to live up to international standard, and protect people's livelihood and the environment.

²⁰ BanglaPraxis is monitoring the technical assistance grant, ADB TAR: BAN 37334

²¹ Asian Development Bank (ADB, 1998).

²² Asian Development Bank (ADB, 2004b).

²³ ADB: LOAN: BAN 34418-01, Southwest Area Integrated Water Resources Planning and Management Project.

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One of the many buildings submerged under flood water caused by the ADB-funded KJDRP project in Bangladesh.

NGO Forum on ADB is an Asian-led network of non-government and community-based organizations that support each other in order to amplify their positions on Asian Development Bank's policies, programs and projects affecting life forms, resources and local communities.



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