

GEOPOLITICS & SUPPLY
CHAIN DISRUPTION

INSIDE

COUNTRY SAFEGUARD SYSTEM
DO NOT SAFEGUARD
COMMUNITIES

SOCIAL AND ENVIRONMENTAL
SAFEGUARDS FOR
INFRASTRUCTURE FINANCE

BANKWATCH

THE OFFICIAL PUBLICATION OF NGO FORUM ON ADB

Coal-Projects as Environment
and Climate Threat

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This edition of Bankwatch emerges in a turbulent time in the world. The rise of AIIB and the BRICS, One Belt One Road initiative, radicalism, social unrest, geopolitical tensions, climate shifts are all a part of the mix in which we are trying weave together our days and livelihoods. We have compiled the following collections of civil society articles based on the diverse nature of the complexities, which surround us.

The first article takes on the complex issue of Country Safeguard Systems and their proposed use in MDBs as a means to ensure social and environmental protection. Hemantha Withanage, Center for Environmental Justice, Srilanka takes on this topic from the perspective of liability and responsibility on safeguards delivery. The next article by Stephanie Fried, Ulu Foundation looks into Indonesian Infrastructure Financing, funds and investments in the context of safeguards. These two articles will help the readers draw their own conclusions on how Banks is championing infrastructure financing and how communities and civil society perceive them.

The article by Souparna Lahiri, All India Forest Peoples Movement; addresses the flaws in large-scale dam projects in South Asia. He explores various case examples where long-term impacts on environment and communities are often because of systemic flaws. An independent researcher Sourava Raj Pant, pens the next article which looks into the influence of Geopolitics and its influence on global trade and supply chains. This piece looks at the growing tensions in the world due to mobilizing military and sectarian violence and how this influences the trade and investments. Asim Nawaz Khan, Umeed-e-Nao Citizen Community, Pakistan and Jen Derillo Santos, Communications Coordinator, have contributed case examples on coal power projects in both countries with a quick state of play on the social movements and civil society backlash against these projects.

Kevin P. Gallagher and Rohini Kamal of the Global Environmental Governance Institute GEGI, Amherst College, USA bring to our readers a critical piece on China's new role in development finance through the emergence of new development banks. This article is timely as the insurgence of new capital from AIIB, BRICS, Chinese EXIM Bank and others will be critical to the existing debate on development finance in Asia. We are in a time where the Bretton Woods System of World Bank and ADB after years of unilateral expansion are facing new competition from the emerging Banks in Asian markets. We hope the collection of articles here help shed light to our readers on how through these changes we may continue our struggles in holding development finance accountable. A special thanks go to the contributors, publishers, supporters and Jen Derillo Santos our resident Communications Coordinator at the Forum Secretariat for helping us with the layout of this publication and editing. Happy reading and best regards.



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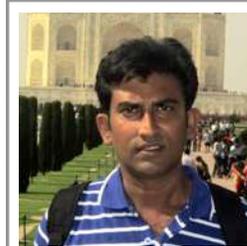


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The Colombo Port Expansion Project of Sri Lanka (formerly Colombo Port South Harbor Development) is a US\$ 300.00 million loan from the ADB under its public-private partnership project.

COUNTRY SAFEGUARD SYSTEM DO NOT SAFEGUARD COMMUNITIES

By Hemantha Withanage

The Colombo Port Expansion project is a 300 USD million ordinary capital resources (OCR) loan given by the Asian Development Bank (ADB) in 2008. It has dredged 23-million m³ sea sand in the fishing grounds. The dredging and breakwater construction was supposed to accommodate three terminals, which will be constructed sequentially². The Project includes the establishment of a new marine operations center, relocation of a submarine oil pipeline, provision of navigational aids, and construction of shore utilities.

The project was developed on a public-private partnership (PPP) basis. Thus, the private operators constructed two terminals under build-operate-transfer (BOT) agreements. The Environmental Impact Assessment (EIA) did not show or predicted any development in the area. But in 2015, as soon as the funding from the Chinese EXIM Bank came through, the dredging of the sea sand from the said location began without proper EIA.

Concern organizations together with the civil society resisted the activity and were able to put a temporary stop to the operation. The Center for Environmental Justice (CEJ) went to the Court of Appeals demanding a proper EIA. A

supplementary EIA was produced with no adequate information, and was once again approved by the Coast Conservation Department in 2016.

ADVERSE EFFECTS OF THE PROJECT

The project will fill 269 Ha of the ocean. It will affect 15,000 fishermen. It will require 65-million m³ sea sand, which will be mined in an area of more than 150 km². It will require 3.45 million m³ of rock material.

In all of these, they have not yet even study the impacts. There are already similar examples in Sri Lanka of activities that was pursued with no EIA that turned put to be a nightmare for the country; the Uma Oya irrigation project, Yan Oya Irrigation project, Sampur Coal Power plant funded by India and Japan International Cooperation Agency (JICA) and the Norochcholai Coal power plant which is also funded by China Exim Bank, among others.

From the outside, Sri Lanka seems to be a country with pristine natural environment. Some might even think that Sri Lanka has

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BUT THIS IS NOT TRUE.”

the best environmental laws and these laws are well enforced. But this is not true. Sri Lanka has one of the most corrupted EIA process in the world. It bribes academics to produce biased EIAs, it allows corrupt officials to rewrite the EIAs and approve them at the same time. Selected politicians even go as far as manipulating the EIA process and ignoring or concealing public opinion if it is not in favor of the result.

Similar reasons led the local communities affected by the Southern Transport Development Project (STDP) to file a complaint to the ADB accountability mechanism. The matter was also raised to the United Nations High Commissioner for Refugees (UNHRC). It was not an easy

process but the complaint was addressed and was able to help the communities to achieve justice but not fully.

One of the hardships that the community encountered in the course of the complaint was learning legal and technical jargons. It was not easy for the lay people, in fact because of this “weakness” they were harassed, a strong leadership is needed. There were number of development projects that was not done satisfactorily, alongside were court cases that did not produce any big change, and the Chinese Exim Bank funded a number of these projects. So the question to ask is; how does one achieve justice and ensure safeguards?

JUSTICE AND SAFEGUARDS

We may not like the ADB as an institute to promote neoliberal model. But undoubtedly ADB has one of the best environmental and social safeguard policies in the world, although they do not implement it properly, it was attained through public pressure, aside from safeguards, it also has an accountability mechanism.

The country safeguard system is a dream of the ADB and the World Bank to cut costs and avoid duplication. In principle it's a good approach. The Safeguard Policy Statement states “ADB is committed to supporting the strengthening and effective application of the DMCs' country safeguard systems (CSS) with a focus on the capacity development of borrowers³.”

Equivalence and acceptability are two prerequisites for deciding on the use of CSS. There is no doubt that we may find countries with blue prints of law and regulation that some of the developed countries have. But I doubt that

we will find a country that follows these policies, regulations and enforce them as well.

Most countries in the Asian region are not doing financially well. They are struggling to meet the investor's needs and weakening their environmental and social safeguards to attract more investors. It is a well-known fact that the corporation who prefer to follow weaker safeguards and weak core labor standards prefer to invest in the developing world. The corrupt system is a good business environment for greedy corporation. The communities face the severe environmental and social hardships when those agencies come to their territories.

The port expansion project funded by the ADB through China is already responsible for coastal erosion, affecting fishermen's lives. The proposed port city funded by the Chinese Exim Bank is now heightening the impacts. The ADB and its Safeguards should take the responsibility in making sure projects are compliant to the Safeguard Policy Statement (SPS) 2010.

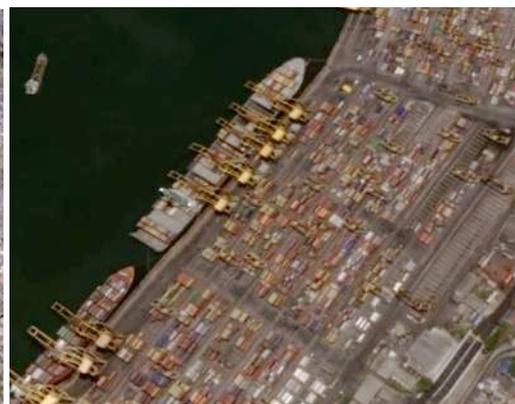
Sri Lanka is confused with its environmental and social safeguard system. For example, the project is located in the jurisdiction of the Coast Conservation Act enforced by the City Cluster Development (CCD). The material comes from the other areas, which comes under the jurisdiction of the Country Environmental Analysis (CEA) empowered by the National Environmental Act. Some ADB projects are located in the North Western Provincial council, which follows a different environmental statute.

EIAs are only open for public comments. IEEs are not open for comments at all. Some project which may have to go through the EIA process only produce IEEs. Thus, none of them have public hearings. Resulting to a public that are very confused. In addition, the public themselves no longer trust the EIA process. Agencies such as CEA is also confused and they are in conflict with other agencies to define which law should be applied.

SAMPLE CASE OF THE WEDDA PEOPLE



Sri Lanka has culturally rich indigenous communities i.e. Wedda people. The Weddas -- or Wanniya-laeto ('forest-dwellers') as they call themselves -- preserve a direct line of descent from the island's original Neolithic community dating from at least 16,000 BC and probably far earlier according to current scientific opinion⁴. But there are no laws to protect them. In the same way the resettlement policy only covers the EIA system, it does not apply to the STDP and outer Circular highway.



CAN SRI LANKA PASS THE EQUIVALENCY TEST?

Sri Lanka	ADB
30 days public commenting period for EIAs	120 days
No commenting period for IEEs	120 days for the summary EIA
Public hearing not mandatory- never happened in the last 15 years	Not mandatory
No Indigenous People's policy	IP policy is part of the environmental social safeguards
No resettlement impact assessment	Resettlement impacts assessment need to prepared
No Access to information law	Public Communication Policy provide access to information
Grievance Mechanisms are not effective except in STDP	Accountability Mechanism
Justice delayed in the court system	Guaranteed time lines

SRI LANKA'S WEAKENING SAFEGUARD IN LIEU OF FOREIGN INVESTMENTS

Undoubtedly, Sri Lanka's Environmental and social safeguards are jewels, but it does not shine enough to give people a better protection and the lack of enforcement does not help the citizens. The Sri Lanka's current interest on bringing foreign investments results to weakening safeguards; this approach makes Sri Lanka not have equivalent safeguards. County system, therefore, will not bring the safeguards for the communities.

Hemantha is the Executive Director of the Centre for Environmental Justice and the International Convenor of the NGO Forum on ADB

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¹ <http://www.adb.org/projects/39431-013/main#project-pds>

² <http://www.adb.org/sites/default/files/publication/184344/sdcc-briefing-note-5-css.pdf>

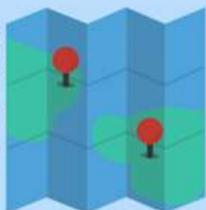
³ Pre-Anuradhapura civilization discovered", Colombo: The Sunday Island, 3 January 1993.

Photo retrieved from <http://www.gec.lk/wp-content/colombo-port-expansion-project/expansion-col-port-l5.jpg>
https://c2.staticflickr.com/6/5092/5471076134_e78c662bc5_b.jpg

FAST FACTS

ADB PROJECTS IN SRI LANKA

There are 16 approved ADB projects in Sri Lanka



The very FIRST was the SRI LANKA: NATIONAL HIGHWAYS SECTOR PROJECT, approved in DEC. 20, 2005

The newest is the MOBILIZING FINANCE FOR SRI LANKA, approved last APRIL of this year (2016)

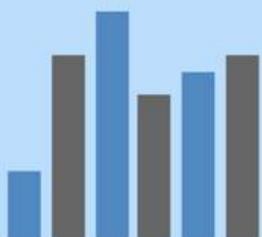


The most expensive is the SRI LANKA: EDUCATION SECTOR DEVELOPMENT PROGRAM, A LOAN amounting to US\$ 100.00 million.

Sri Lanka has 32 ADB proposed projects



The first proposal made was in August 31, 2000 for the project AES KELANITISSA POWER PLANT (163 MW)



While the latest is the CAPITAL MARKET DEVELOPMENT PROGRAM, with a concept paper dated April 2016. It is under the Public Management, Financial Sector And Trade Division, SARD

SOCIAL AND ENVIRONMENTAL SAFEGUARDS FOR INFRASTRUCTURE FINANCE

INDONESIA

By Stephanie Fried

The case of Indonesian Infrastructure Financial Intermediaries, Funds, and Investments

Infrastructure is of vital importance for development. Large-scale infrastructure projects, however, if developed without careful attention to impacts on the environment and communities, carry severe risks of mass impoverishment, permanent loss of livelihoods, violent conflict and human rights violations, as well as irreversible environmental damage. The latter includes the destruction of forests, biodiversity, coastal areas and river systems, as well as massive greenhouse gas emissions. This causes irreparable harm to women, children, and men in the affected communities, including indigenous peoples.

The impacts of ill-conceived large-scale infrastructure projects on women can be

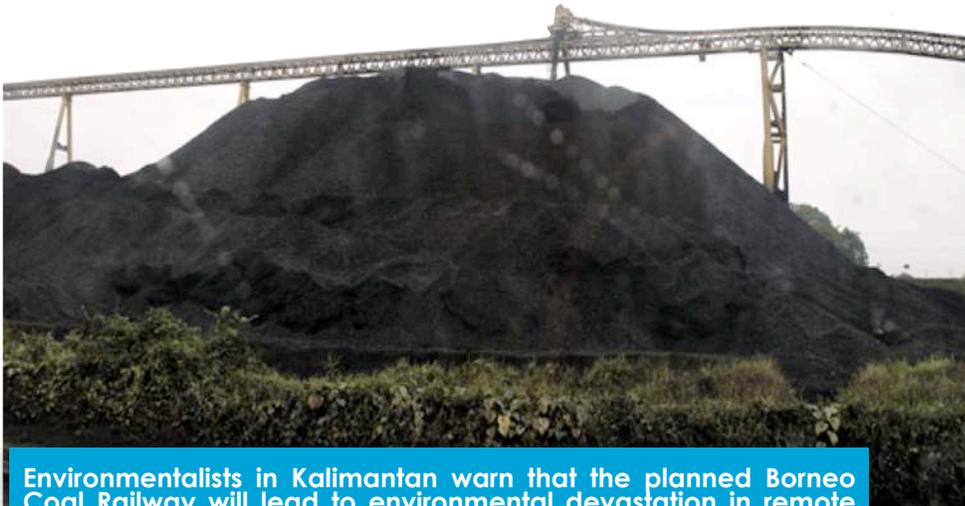
especially pernicious and are often irreversible. This occurs, for example, by eliminating women's farming and fishing livelihoods, while employment in construction and office jobs is almost exclusively limited to men. This increases women's dependence on men, often driving women and young girls into sex work out of economic desperation. The rampant spread of sexually transmitted infections; human trafficking and violence against women and children are also part of this dismal picture.

INDONESIAN INFRASTRUCTURE

The Indonesian government has developed a national plan to meet its gap in infrastructure



A farmer looks at a lengthy metal fence erected on 24 March 2016 through her highly productive rice fields by Batang coal power plant developers in Java, Indonesia. The protest signs posted on the new fence state "Power plant seizes our lands and livelihoods."
Photo: Tommy Apriando



Environmentalists in Kalimantan warn that the planned Borneo Coal Railway will lead to environmental devastation in remote forested regions. Photo: Coal in East Kalimantan by Hendar; Source: Mongobay²

finance through a “Fast Track Program” (FTP) to develop, among other things, more than 40 coal power plants, 40 geothermal plants (likely to be situated in forested areas), mega-hydropower projects and nuclear plants, potentially including a Russian-designed “floating nuclear power plant,” and thousands of kilometers of roads or controversial coal-transport railways through biodiversity-rich forested areas of Kalimantan, Sumatra, West Papua and elsewhere. Indigenous and other forest-dependent communities inhabit these forested areas. The FTP has only slowly been implemented but Indonesia’s current

President has vowed to ramp up implementation, including by seeking funds from multilateral development banks, including the Asian Development Bank, the new Beijing-based Asian Infrastructure Investment Bank, the World Bank and the International Finance Corporation.

A wide range of civil society organizations have expressed deep concerns about infrastructure finance supported by multilateral development banks and bilateral donors, especially when channeled through opaque financial intermediaries.²

The infrastructure sector presents a high risk of corruption. For example, Indonesian Corruption Watch identified 139 corruption cases in the

infrastructure sector under investigation by authorities in Indonesia, with the transportation sector dominating these cases.³ The increasing use of non-transparent financial intermediaries will only worsen the situation.

A telling example of the existing problems with MDB support for opaque infrastructure financial intermediaries is provided by the case of the India Infrastructure Fund, which is managed by the Infrastructure Development and Finance Company Limited (IDFC).⁴ The Asian Development Bank and the World Bank Group have long supported the IDFC and the India Infrastructure Fund was launched with a pledge of over \$1 billion from the International Finance Corporation (IFC), the World Bank’s lending arm to the private sector. Communities were directly harmed by the investments of the India Infrastructure Fund, which included the 1050 MW coal-fired Kamalanga power plant, and filed a complaint with the IFC’s Compliance Advisor Ombudsman (CAO).

Following its investigation of the complaint, the CAO released its report in January 2016, documenting enormous problems including a lack of proper pre-investment due diligence, a failure to sufficiently review the Infrastructure Fund’s “capacity to manage E&S risks.” The report concluded that IFC “lacked a basis to conclude that its investment in the Fund could meet” safeguard requirements; that the IFC failed to incorporate Environmental and Social (E&S) requirements into agreements with the Infrastructure Fund; that there was insufficient supervision to ensure projects were designed to comply with safeguards; and, finally, that disbursement of IFC funds occurred without ensuring that the contractually agreed E&S

conditions were met. Further, the report found that, despite the unsatisfactory E&S performance of the financial intermediary, IFC made additional new investments, and failed to supervise financial intermediary's compliance with disclosure requirements. All of which led to devastating, and potentially irreversible, impacts on affected communities and the environment, specifically those affected by the Infrastructure Fund's showcase investment in the 1050 MW coal-fired Kamalanga power plant. There are serious concerns that the problems plaguing the India fund continue to plague similar investments in Indonesia. According to the ADB, India's Infrastructure Development and Finance Company is the model that provided the design for PT. Indonesian Infrastructure Finance (PT. IIF)⁵ where the IFC, Asian Development Bank and Germany's DEG hold a combined total of over 50% of PT. IIF's equity.

THE ADB'S ROLE

In 2009, the ADB proposed an equity investment of up to \$40 million ("the ADB's first equity investment in a nonbank financial institution in Indonesia"⁶) in the start-up of the Indonesian Infrastructure Financing Facility Company and a loan to the newly created PT Sarana Multi Infrastruktur (PT. SMI), wholly owned by the Indonesian Ministry of Finance, on the condition that PT. SMI would "on-loan" these funds to the newly-created PT. IIF.⁷ The \$100 million loan to PT. SMI closed in December 2014 and, according to the website of PT. IIF, the ADB still remains an equity shareholder of PT IIF, along with the IFC and Germany's Deutsche Investitions- und Entwicklungsgesellschaft GmbH as well as the Indonesian Finance Ministry-owned PT. Sarana Multi Infrastruktur. According to World Bank Group policy, the IFC must apply current Performance Standard requirements to all IFC equity investments, regardless of when they were initiated.⁸ It is unclear how the ADB applies its Safeguards to such investments.

Despite the high-risk nature of infrastructure projects, the ADB-supported PT Indonesia Infrastructure Finance continues to have significant problems with public disclosure and

other fundamental safeguards. For example, one of the core reasons for ADB and IFC support for PT. IIF was to ensure the development of an "Operations Manual" that would describe PT. IIF's mandatory rules designed to ensure that PT. IIF and its clients would fulfill the vital consultation, information disclosure and other environmental and social standards of the ADB and World Bank Group. Problems include:

- Operations Manual still not made public. Unfortunately, despite requests by civil society, IIF's Operations Manual which contains the rules for ensuring how project proponents must fulfill consultation, information disclosure and other environmental and social standards of the World Bank, IFC, and ADB has not been made public.
- Problems with risk categorization. Despite the IFC's evaluation of IIF's work as "high risk", the World Bank assessed, as recently as 2015, that IIF presented an overall low risk profile, including "low" environmental and social risks.⁹ The Bank's IIF 2015 Implementation Status and Results Report for IIF finds that IIF presents only a "medium" governance risk, despite the Bank's finding, in an earlier assessment that "the infrastructure industry in Indonesia has a high risk of corruption... driven not only by the government ... but also by the contractors, consultants and respective associations as well as the structure of the industry itself."
- Lack of other basic information provided to public, including:
 - No environmental/social assessments made available for public comment prior to appraisal or approval;
 - No list of projects in pipeline, including high risk projects;
 - No monitoring or evaluation reports made public.
 - No documents demonstrating compliance with safeguard standards of the ADB, World Bank, IFC, , including information disclosure, consultation, etc. For example, the documents recently published on the IIF

website (and not on the ADB, WB or IFC website) consist of Indonesian “AMDAL” (Environmental Impact Assessment) reports. Indonesian requirements for public consultation during EIA preparation are significantly less than those of the ADB, World Bank and IFC and do not meet ADB, WB, IFC safeguard standards for consultation.

- No schedule of public consultations for high risk IIF projects in the pipeline. There is no indication of public consultation process in compliance with ADB, WB or IFC standards for any activities undertaken by IIF.
- Use of borrower systems without following the mandatory due diligence requirements. This project appears to be using “borrower systems” - including local rules for Environmental Impact Assessment (AMDAL) -- which do not meet MDB standards for public consultation and information disclosure -- but it does not appear that the ADB or World Bank has adhered to their mandatory detailed assessment of borrower systems which are required to ensure that borrower systems are at least equivalent to those of the World Bank or the ADB.¹⁰ According to the World Bank’s brief assessment of borrower capacity (noted on the Integrated Safeguards Data sheet at project Appraisal), “all of institutions involved in this Project have no experience in

implementing environmental and social safeguards policy.” The World Bank noted that “it is very likely that many of the sub-projects financed by the IIF will have moderate to significant short- and/or long-term impacts.”¹¹

PT. INDONESIA INFRASTRUCTURE GUARANTEE FUND

With support from the World Bank Group, the first guarantee issued by the PT. Indonesia Infrastructure Guarantee Fund, is for a Southeast Asia’s largest coal-fired power plant project, located in Java in Batang regency. Construction has been delayed for years as a result of conflicts with local villagers who have been facing eviction from their lands and threats to their livelihoods. As of May 2016, the guarantee had not yet been activated due to land conflicts and the lack of “financial closure” of the project deal. It is estimated that the Batang power plants will emit 10.8 million tonnes of CO₂ per year, equivalent to 2.6% of Indonesian energy sector’s emissions in 2010.¹²

Safeguards at the World Bank, IFC and ADB may provide a measure of protection for project-affected communities and the environment if they are implemented, which does not appear to be the case with the Indonesian infrastructure funds. It also appears that multilateral development banks and bilateral



Farmers stage a protest in their rice fields which are slated to be the site of the controversial Batang power plants.
Photo: Tommy Apriando

donors have failed to implement proper due diligence, including regarding decisions to use borrower systems for environmental and social safeguards in infrastructure investment. In addition, as MDBs initiate partnerships and co-financing with the new Asian Infrastructure Investment Bank, given the weakness of the AIIB safeguards compared to those of the other MDBs, the full implementation of existing MDB safeguards will take on added importance for co-financed initiatives.

Given the high environmental, social and governance risks of infrastructure investments and, specifically, infrastructure financial intermediaries, mandatory safeguard requirements for robust public consultation, transparency, information disclosure and social and environmental impact assessment are of the highest importance.

This article is an excerpt from a report by Ecological Justice, Indonesian Legal Resource Center (ILRC), TUK Indonesia, WALHI, WALHI Jawa Barat, Indonesia Corruption Watch (ICW), ELSAM, Ulu Foundation, Urgewald, Gender Action, debtWATCH Indonesia (dWI), Center for Indonesia Taxation Analysis (CITA), Biotani Bahari Indonesia, CAPP Ecological Justice Foundation, Yayasan Pusaka²

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¹The full report was launched at the ADB Annual General Meeting in Frankfurt in May 2016 and is available online at <http://www.mitrabank.com>.

² Mongobay.co.id. Rel Kereta Batubara Kaltim: Membuka Potensi Eksploitasi Hingga Pedalaman Kalimantan Timur, February 20, 2014; Organisasi Lingkungan Kalteng Ramai-ramai Tolak Rencana Rel Kereta Khusus Batubara, September 28, 2013

³ See, for example, Letter to World Bank President and IFC President regarding concerns about Indonesian Infrastructure Financial Intermediaries, Funds, Investments and Projects, 12 April 2016. www.safeguardcomments.org, GresNews, World Bank Loans Pose High Social and Environmental Risks, 18 April 2016, Jakarta; Waspada.co.id, Pendanaan Bank Dunia di Indonesia berdampak Buruk, 16 April 2016; Industri.Bisnis.com, Bank Dunia Diminta Benahi Panduan Akuisisi Lahan Dan Lingkungan, 17 April 2016; Suara Merdeka, Dana Bank Dunia untuk Infrastruktur Ancam Masyarakat, 17 April 2016;

⁴ Indonesian Corruption Watch, TREN PENYIDIKAN KASUS KORUPSI - 2015 SEMESTER I, 2015

⁵ IFC CAO, http://www.cao-ombudsman.org/cases/case_detail.aspx?id=165, accessed 18 April 2016.

⁶ For example: ADB, Report and Recommendation of the President to the Board of Directors, Project Number: 42109 March 2009, Proposed Loan and Equity Investment Republic of Indonesia: Indonesian Infrastructure Financing Facility Company Project "ADB's resources for financing private sector infrastructure projects are limited. IIFC presents an opportunity for ADB to leverage those resources in Indonesia, where infrastructure shortages are critical and national government funds are limited. The approach is based upon ADB's successful support of Infrastructure Development Finance Company Limited (IDFC) in India. ADB's financing support for IDFC was intended to be a model for other developing member countries seeking institutional arrangements to stimulate infrastructure sector reform, private sector participation in infrastructure finance, and domestic debt market development.

⁷ Report and Recommendation of the President to the Board of Directors, Project Number: 42109, March 2009 Proposed Loan and Equity Investment, Republic of Indonesia: Indonesian Infrastructure Financing Facility Company Project, www.adb.org

⁸ ADB to Invest \$140 Million in Indonesian Fund to Boost Infrastructure, 1 April 2009; Report and Recommendation of the President to the Board of Directors, Project Number: 42109, March 2009 Proposed Loan and Equity Investment, Republic of Indonesia: Indonesian Infrastructure Financing Facility Company Project, www.adb.org

⁹ According to the Compliance Advisory Ombudsman of the IFC, current IFC Performance Standards apply to all IFC equity investments currently held by the IFC, regardless of start date of the initial IFC equity investment. Meeting with NGOs and CAO, 6 April 2016.

¹⁰ World Bank, Implementation Status & Results Report, Indonesia Infrastructure Finance Facility (P092218), 6/25/2015

¹¹ For example, the World Bank Country Systems Safeguard (CSS) details over 60 points of comparison that must be made with various WB requirements for environmental assessment, resettlement, Indigenous Peoples, natural habitat, etc. found in Table 1A of the CSS.

¹² World Bank, IIF, Integrated Safeguards Datasheet, Appraisal Stage

¹³ Greenpeace, The True Cost of Coal Abuses: Health impacts and Risks Associated with Indonesia's Batang Coal Fired Power Plant Project, Greenpeace Briefing Paper, March 2014.

FLAWS IN THE CLAWS OF POLICY MAKERS

INDIA

By Souparna Lahiri

North East of India as an energy hub forms the core component of India's Look East Policy. The Hydropower Initiative proposed by the Vajpayee Government in 2003, with a hydropower generating capacity of 50,000 MW (projections have gone far beyond this number) not only opened up the prospect of a South Asian energy trade but looked beyond its borders for a grid connectivity to the Greater Mekong Sub-region (GMS) passing through Myanmar and Thailand.

The hydro initiative fitted well into what the Asian Development Bank calls sub-regional and regional integration comprising the countries of Nepal, Bhutan, India, Bangladesh, Myanmar and Thailand bringing them closer to the GMS countries.

However, the hydropower initiative was flawed from the beginning and fraught with a host of social, ecological and geographical risks that the policy makers overlooked in a region which is not only a pot-pouri of tribal communities, cultures and traditional customs but is also regarded as one of the world's twenty five biodiversity hotspots. Arunachal Pradesh, Assam and Sikkim fall in the Seismic Zone IV and V with a history of a devastating earthquake of 1950.

According to Forest Survey of India Reports, the States of Arunachal Pradesh, Manipur, Mizoram, Nagaland and Meghalaya have very high forest cover ranging from 70 to 82 percent including rainforests and home to numerous rare species of flora and fauna.

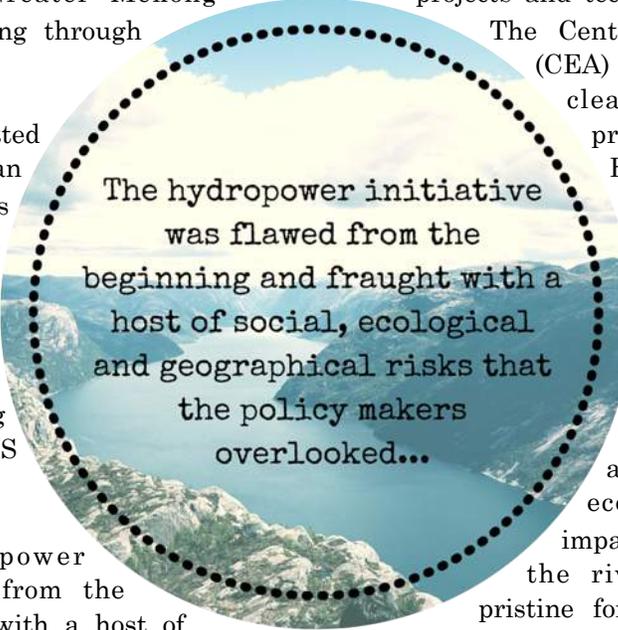
A FLAWED HYDRO INITIATIVE: IGNORING LONG TERM IMPACTS

Government of India's big push for hydro projects, especially in the States of Arunachal Pradesh and Sikkim where more than 200 projects were put in the pipeline was based mostly on the feasibility studies of standalone projects and techno-economic assessment.

The Central Electricity Authority (CEA) awarded techno-economic clearances to mega hydro projects on major eastern Himalayan river basins of Teesta (Sikkim), Tawang, Kameng, Subansiri, Siyang, Dibang, Lohit (Arunachal Pradesh) and Tipaimukh-Barak in

Manipur-Mizoram-Assam without any rigorous assessment of the ecological and geological impact of these river basins on the riverine community, the pristine forests and the catchment area that they nurture and thousands of acres of community owned lands that are classified for decades as unclassed state forests. The catchment areas of these projects also include jhum lands and wet rice cultivation lands.

The results are all there to see. During the last fifteen years, only one project, the Teesta V in Sikkim has been completed amidst quite a strong protest from the local community ; Teesta III is still under construction, having survived the last Sikkim earthquake and is said to be under hammer since the promoter, Athena Group, now finds the project unviable for them. Work in Subansiri project has stopped because of the



The hydropower initiative was flawed from the beginning and fraught with a host of social, ecological and geographical risks that the policy makers overlooked...



Construction work of the dam in Subansiei River at the NHPC's 2,000 MW Subansiri Lower project in Arunachal Pradesh.

consistent protest from the downstream communities in Assam. Protests are ongoing in Tawang and Kameng hydro project is still not being completed. Pare hydel project is still under construction while none of the projects in Siyang basin could take off due to very strong community protests and litigations. Dibang Multipurpose Project, the biggest hydro project so far with a generation capacity of 3000 MW, witnessed seven cancellations of public hearing owing to local protests, but its environmental clearance and first stage forest clearance was literally pushed through by the new NDA Government even when its forest clearance was rejected twice for the imminent diversion of a huge 5500 ha forests, lack of land for compensatory afforestation and impacts on flora and fauna. The Demwe project on Lohit is in court under the purview of National Green Tribunal (NGT) and is limping. The Tipaimukh project on river Barak, being controversial from the beginning, has been rejected by the Forest Advisory Committee (FAC) due to a possible diversion of a staggering 25,000 sq km of forest land. There is not only an inordinate delay for all these projects but a huge cost over-run is turning them in to unviable projects also.

THE ISSUES THAT HAVE EMERGED

The continuing protests against hydro projects in the north east, the response of the expert appraisal committees and forest advisory committee members of the Environment and

Forest Ministry, various judicial orders including that of the National Appellate Authority and the NGT and various independent studies raise many important and significant issues that the hydro power initiative either failed to recognize or simply glossed over.

Firstly, the initiative never had the required support of the people and was launched as a brainchild of

the political arm of the State. Secondly, the political and strategic expediencies came first and managed to set aside the long term social, ecological and geographical impacts of such an initiative. The political campaign pushing the initiative pitched for the economic development and sustainability of the north eastern states based on the free power, upfront money to be paid by the developers – mobilization of economic resources and overall change in the industrial climate due to a boost in the energy generation. Even development of tourism, airports, connectivity and generation of employment emerged out of this argument. Hydro power policy was changed to formalize corruption and crores of money changed hands with lucrative tenders being offered to both the public and private sector developers and hundreds of MoAs being signed. Till 2013-14 a whopping 152 MoAs were signed in Arunachal Pradesh accounting for Rs.144281.53 lakhs.

Finally, a range of issues affecting the ecology and geology of this fragile Himalayan region having long term social and environmental impacts were ignored. Carrying capacity and cumulative impact study of the river basins were not prepared; clearances were given without proper environment impact assessments, downstream studies and dam break analysis. Thousands of acres of pristine forests including rainforests with rare faunal and floral species are going to be submerged and destroyed impacting not only the biodiversity, the catchment areas

and water flows but the livelihood of indigenous tribal communities, the rights over their community land and forests, while in many places moving out of their ancestral land. The minutes of the FAC and EAC point out that in all the projects that applied for clearance, the Forest Rights Act (FRA 2006) has been violated by not settling the rights of the communities properly and according to the Forest Rights Legislation.

The hydro projects have also violated the Forest Conservation Act 1980, not being able to comply with the compensatory afforestation norms simply because the forest departments have not been able to identify enough land to compensate for forest diversion. The communities are not willing to part with their lands knowing full well once they are taken for compensatory afforestation the community will lose ownership and control over their lands.

With multiple cascade projects being proposed in river basins, the river flow will be severely impacted affecting the living organisms and species including fish and surrounding habitations that are nurtured by the mean water flow and discharge of these rivers. This is already being experienced in the Teesta basin where the river seems to be flowing through tunnels only!

Last but not the least, the seismological sensitivity of this region, the way the issue of seismicity is being dealt with in the EIAs and the impact of the dam construction, hill cutting, road construction and extraction of boulders for construction is having or will have on the fragile

ecology of this region, triggering off landslides and landslips – signs of imminent disasters.

WHEN GEOPOLITICAL IMPERATIVES RIDES OVER GROUND REALITIES

Government of India's Hydro Power Initiative is one big example where it is amply clear how India's geopolitical strategy dominates a certain policy. It is often said and where even the political parties and officials cannot dangle the carrot of economic development and prosperity, that the initiative is in the National Interest, in the best interest of the Nation. Which clearly implies that the big hydro projects have to be built sacrificing the interest of the communities, the fragile ecology and geology of this region and imminent disasters. These are political risks being taken in high risk geopolitical games that countries play. Sikkim and Arunachal Pradesh being strategic states, the Nation needs these projects and also India need to have the first rights over the water of Brahmaputra since China is building dams over it. Does that make any sense to the communities being affected or why the Look East Policy or whether the hydro projects will really lit up the north east economy and contribute to the increasing energy demand of the mainland India?

Perhaps the future decades and the will of the people and communities of the north east will provide an answer.

Souparna has been a social activists for nearly three decades, currently he is associated with All India Forum of Forest Movements and Global Forest Coalition. He is based in Delhi, India.

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“Geopolitical gambling has put us into a new edge of mutually assured destruction, likewise, we witnessed during Cold war times. Those gambling is affecting heavily on Information Technology, Infrastructure (Road, Air and Sea), international institutions and laws.”

NEPAL

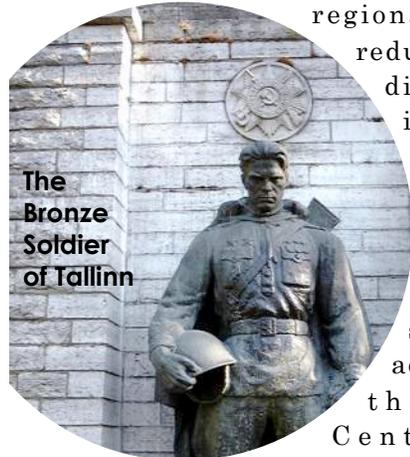


GEOPOLITICS & SUPPLY CHAIN DISRUPTION

By Saurav Raj Pant

Immanuel Wallerstein's popular World-Systems theory in 1970's conceptualized the Core, Semi-periphery and Periphery countries, among which core is the ultimate dominant player in geo-economics & geo-politics, semi-periphery has dual characteristics of manufacturing and raw materials and the periphery countries rely on both Core and Semi-periphery countries for their survival is now appearing new myth of contemporary global reality. Countries like China and India which was periphery during 1970's is now carries dual characteristics of manufacturing and exporting economy. The world's two fastest growing economies has a new connotation-----emerging world.

Geopolitics & Geo-economics has entered into next level of battlefield. Weaker to powerful states are taking advantage of it. For instance, country like Mongolia, one of the Eastern Asian countries which has weaker political and economic roles in the region have hosted, 'Ulanbaatar Dialouge on Northeast Asia Security' in 2014 to speed up the consensus among regional nations to



reduce territorial disputes. Such initiative made Mongolia, a sharp diplomatic player on the ground where she can take advantage from the booming Central Asian economy---the ultimate chain of gas and oil pipelines. After the perceive Cyber attacks on Estonia in 2007 by Russia, in the course of relocation of the Bronze Soldier of Tallinn, Estonian government in 2014 launched, the Cyber Security Strategy for the period of 2014-2017, to build Estonia ; the Cyber War prepared country. After the progress of strategy, it was applauded for security inbuilt infrastructures in the state. From ultra security WIFI to lights which is sensitive to the motions, Estonia is moving ahead of countering possible cyber strikes from any powerful states.

New normal of contemporary world is a development of regionalist movement or groupings ---where universal multi-lateral partnerships are often overlooked. China is front runner in this. From Shanghai Cooperation Organization (SCO), BRICS to Asian Infrastructure Investment Bank (AIIB), a new world concept is being postulated. Even the western powers are developing new tools outside of old established universal organizations like World Trade Organization, World Bank and IMF. Trans-Atlantic Trade & Investment Partnership (TTIP), Trans-Pacific Partnerships (TPP), primarily a trade-investment partnership among European nations and USA as well as TPP which

is already signed is an agreement between USA and 11 Pacific Rim countries, excluding China. Western powers are participating in the Asian markets to keep the 'ball rolling' of their influence.

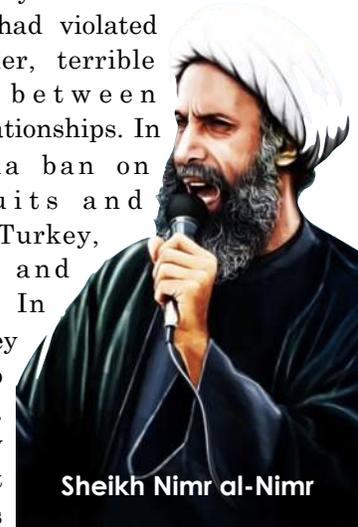
Geopolitical gambling has put us into new edge of mutually assured destruction, likewise we witnessed during Cold war times. Those gambling is affecting heavily on Information Technology, Infrastructure (Road, Air and Sea), international institutions and laws.

In March 2014, Palm oil prices skyrocketed due to Ukraine-Russia tension, possibly troublemaking one of the world's largest gas supply lines. Palm oil is used as bio-diesel which is alternative to oil and gas as well used widely in the commodities from Biscuits to Lipstick.

In August 2014, after the annexation of Crimea by Russia, EU & USA jointly announced sanctions against Russia. That includes, assets freezing, blacklisting of Russian oligarchs and restriction on Russian banks and corporations. But, such restriction had smartly excluded gas industry, space technology and nuclear energy.

In June 2015, in counter-response to EU sanctions, Russia imposed ban on imports of beef, pork, poultry meat, fish, cheese, milk, vegetables and fruit from Australia, Canada, EU, USA and Norway.

In November 2015, after the downing of Russian fighter jet by Turkey due to the claim that, Russian jet had violated the Turkish border, terrible play started between Russia-Turkish relationships. In response, Russia ban on importing fruits and vegetables from Turkey, charter flights and visa-free system. In response to Turkey as inaction to Russian sanctions, silently Turkey showed no interest in \$30 billions





bilateral trade deals that has been at risk after such sanctions.

In January 2016, Saudi Arabia's execution of Shia cleric Sheikh Nimr al-Nimr including other 47 peoples for terrorism, blasted a relationship between Saudi Arabia and Iran. In response, Iran ban imports from Saudi Arabia including the ban on Umrah pilgrimages to Mecca. In counter response to Iran, Saudi Arabia announced to halt air traffic and trade links with Iran, Saudi Arabia & Bahrain jointly ban Iranian ships to enter their water ports.

These supply chain disruptions are by design-created via absurd analysis by policy wonks, leaders and Intelligence agency under the clout of geopolitics, underlying geo-economics consequences. In such robust globalization, where everyone is player on

the ground, the interdependence and interconnectivity of the countries is zigzagged. In today's world, the economic coercive actions against less powerful countries is not profit making for action-taker rather it has been proven as a double edged sword. US has a huge investment overseas and those investments are now protected with the multi-lateral or bi-lateral deals, if any 'designed' accident happens then US is vulnerable to lose capitals and job from overseas markets. Today, everyone imports and exports and if certain disruption in the supply chain means, huge disaster in the global economy. Donald Trump, front runner of GOP nominee says, "China is rapping our country". It sounds like rhetoric than practical. Most of the 500 fortune companies do business and invest in China, and Chinese has also strong presence in the US. So, watershed on any of them is suicidal for both the economies.

Globalization via interconnectivity and interdependency has enabled even the weaker states to tap their capacities. 19th century tactics of economic sanctions used as geopolitical tools to bargain over weaker states' affairs is now old rhyme and it has been proving from the series of global events. No one is ultimate winner or loser in this age of globalization. It is the age of mutually beneficial partnership or the age of competition & collaboration. Welcome to this participatory globalization of 21st century!

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A COUNTRY SAYING NO TO OPEN PIT MINING

BANGLADESH

The Phulbari Coal Project would have been an open-pit coal mine in Bangladesh proposed by Asia Energy Corporation (the Bangladeshi subsidiary of GCM Resources, a company with coal interests in Bangladesh, South Africa, and China, as well as "uranium interests in West Africa, Sweden, and Australia) and will be partly funded by the Asian Development Bank (ADB). The project was said to include a 500-megawatt (MW) coal plant. Last 2007 a press conference hosted by ADB, then country director Hua Du, expressed the ADB's eagerness for the quick decisions in favour of big Indian corporate giant Tata's proposals related with gas and coal, and the British based company Asia Energy's (AEC) Phulbari Coal Project (PCP).

After the news went public, 70,000 people were gathered in Phulbari on August 26, 2006 to express their protest against the proposed open pit mining project. The event caused three persons to be killed and

hundreds wounded because law enforcers opened fire on them as they were returning home from the protest rally.

Despite what happened more people took to the streets their protest regarding the possibilities of an open-pit coal mine. The violent actions of the law enforcers which left Twenty of the wounded people were rendered permanent suffering, one is still in hospital with permanent disability was the tipping point for the Bangalee, Adivasi (indigenous), women, men, senior and children who walked the streets and expressed their disagreement to the ADB financed projects due to historic social contract that stated there will be "No open pit mining will be allowed anywhere in the country" and that "Steps will be taken for development and utilization of coal only after proper consultation with the people keeping national interest intact". Let alone the Phulbari coal project will be scrapped

and Asia energy will leave Bangladesh.

The mass uprising causes the government to enter into an agreement with the protestors represented by National Committee to Protect Oil, Gas Mineral resources, Port and Power. The result was that Phulbari project should be cancelled in environmental, economic and legal grounds.

After the fierce resistance in 2007, a 2010 WikiLeaks cable revealed US diplomats were secretly pushing the Bangladeshi government to re-open plans for the mine since Asia Energy, the company behind the Phulbari project, has sixty percent U.S. investment. And upon checking the GCM Website back in 2011, the company stated that it is awaiting approval of the project.

Is the Phulbari Coal Project really over? Or is it a dormant problem waiting to happen?

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By Asim Nawaz Khan

Pakistan faces a year-long electricity crisis which rises over 6000 megawatts. The government planned to bridge the shortfall by building coal-fired power plants with help from foreign investors, especially from China and the Asian Development Bank (ADB).

Pakistan also failed to submit Intended Nationally Determined contributions (INDCs) before the Paris Agreement. So far in National and International interest the country needs to monitor coal power projects in Pakistan.

Here is an overview of projects that destroys both the human lives and the environments in Pakistan:

1. Thar II coal power plant

For Thar II coal power project, the Government of Pakistan requested a \$ 820m loan from China Development Bank and Construction Bank of China, at the rate of 3.3 pc and produce electricity at the rate of 9.5 cent per unit. The unit price is high in all South Asian country as well in Pakistan.

Power plant is critical in Nature and has many environmental issues. A 95.5 sq km mining area will create air pollution.

2. Gojra-Shorkot-Khanwal Motorway

In the construction of this highway, the government is displacing 36 villages, cutting off 60000 trees and spoiling 62 km of agriculture land.

In its second phase Shorkot to Khanewal a 64 km agricultural land will be destroyed and will affect of hundreds of small land owner. This section is co financed by the ADB and the Asian Infrastructure Investment Bank (AIIB) the first project of the two banks in Pakistan.

3. Port Qasim coal power plant

The Pakistan Port Qasim Power Project is a 1,320 megawatt construction that comprises two 606 megawatt supercritical coal power plants², which have been under construction since May

of last year (2015) as part of the China-Pakistan Economic Corridor (CPEC). The project is destroying a huge coastal area of Pakistan and 'making land' for project in the sea via reclamation. This project is also a threat for environment as well as the coastal life.

4. Sahiwal coal power plant

The Sahiwal Coal Power Project is a coal power plant project 15 kilometers (9.3 mi) to the northeast of Sahiwal in Pakistan's Province which is currently under construction, the 1320 MW coal plant is being financed by Chinese banks.

The planned project is located on most agricultural land of Pakistan and is 1,400 km away from the sea and would require the construction of a railway line to transport imported coal for supply.

There are no EIA and Social Impact Assessment (SIA) filed due diligence procedures in fact the EIA is the most confidential document of this project.

Water scarcity will become a serious problem as the Plant will use around 23 lac cubic ft irrigation water for its operation. So there is an immense need to advocate for sustainable and environment friendly projects in Pakistan by China and Other IFI's.

There is a need to deepen our understanding of Chinese banks and IFI's policies and relevant governmental decision-makers of projects financed by these banks, and the level of environmental and social impacts and safeguards essential to the sustainable survival of local communities.

Coal-based power plants MUST qualify and should be ADMISSIBLE under the joint implementation and Clean Development Mechanism (CDM) rules and Paris agreement to earn carbon credits.

Asim is the Chairman of the Umeedenao citizen community board.
An NGO Forum Member since 2001.

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CHINA GOES GLOBAL WITH DEVELOPMENT BANKS

CHINA

By Rohini Kamal and Kevin Gallagher

In just over a decade, China has become a global leader in development finance. China has established a number of bilateral and multilateral funds across the world, in addition to two policy banks, the China Development Bank (CDB) and the Export Import Bank of China (C-EXIM). China has also led efforts to establish new multilateral development banks (MDBs), the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB), that promise to provide significant financing capabilities into the regime as well.

These banks and funds have the potential to provide an enormous increase in the availability of development finance for a world economy in desperate need of public finance for long-run economic development that is environmentally sustainable and socially inclusive. What is more, they have the potential to provide an alternative to the Western-dominated system that has struggled to fill the glaring gaps in development finance, particularly in infrastructure, and to maintain legitimacy among many borrowing countries and segments of civil society.

THE GLOBALIZATION OF CHINA'S POLICY BANKS

Two of China's policy banks, the CDB and the C-EXIM, already hold more assets than the combined sum of the assets of the Western-backed multilateral development banks. Table 1 shows that the C-EXIM and the CDB have over \$1.8 trillion in assets, whereas the Western-backed banks hold just over \$700 billion. That said, the CDB's international holdings are just 30 per cent of total assets, putting the two banks' international assets at around \$0.5 trillion.

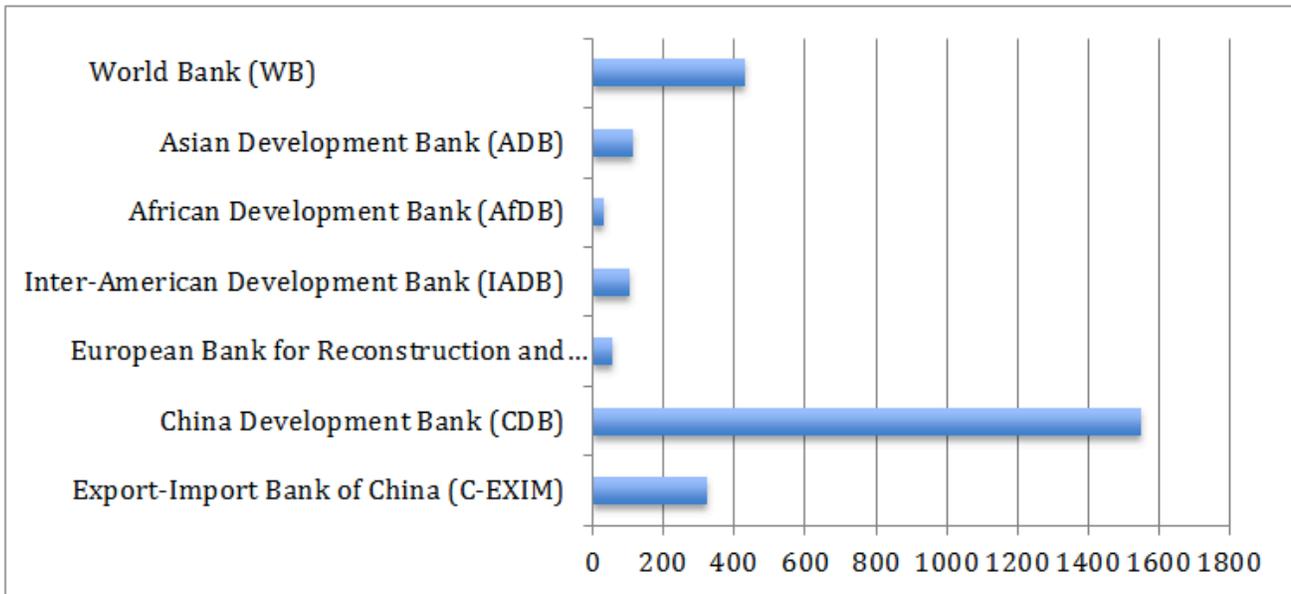


Beijing, China

These banks provide concessional and non-concessional (in the case of the C-EXIM) finance in virtually every corner of the world. Founded in 1994 and fueled by the Chinese growth miracle on the mainland, the CDB is perhaps the largest development institution in the world with \$95 billion in base capital and over \$1 trillion in assets, compared to less than \$600 billion in assets of the entire World Bank Group. As part of China’s broader ‘go out’ strategy, the CDB has been making loans to foreign governments since the early 2000s. In some countries in Latin America and Africa the CDB is often the largest single source of development bank finance. The CDB does not raise its capital through private deposits, but by issuing bonds with terms of up to 30 years to institutional investors on China’s interbank bond market and foreign markets in both renminbi and other currencies. It is the second-largest bond issuer in China after the ministry of finance and its bonds enjoy a credit rating equivalent to government bonds. The Chinese state has full

ownership of the Bank and implicitly guarantees its debt, enabling the CDB to provide lower interest rates and longer-term loans than other Chinese banks. The CDB is also China’s largest foreign currency lender, drawing directly on China’s vast foreign currency reserves.

In addition to the CDB, the C-EXIM plays an important role in supporting the state’s foreign trade and economic development in the global arena. C-EXIM provides financing for trade in high-technology products and equipment; offshore construction contracts, overseas investment projects; and provides international guarantees. Furthermore, C-EXIM is mandated to promote China’s long-term access to strategically important natural resources through conventional Export Credit Agency (ECA) methods, including export credits – a form of subsidy in which an ECA assumes the risk of a foreign borrower’s default, and unconventional ones, such as direct lending and credit guarantees.



China-backed and Western-backed development banks (total assets \$ billion)

Region	\$USB
Asia	
Silk Road Fund	40
The Green Silk Road Fund	4.8
China-ASEAN Fund	1
Eurasia	
China-Central and Eastern Europe Investment Fund	4
Russia-China Investment Fund	2
Latin America and Caribbean	
CELAC-China Investment Fund	20
China-LAC Industrial Cooperation Fund	10
China-LAC Investment Fund	5
China-Mexico Investment Fund	2.4
Africa	
China -Africa Development Fund	2
Africa Growing Together Fund	2
China-Africa Industrial Capacity Cooperation Fund Company Limited (CAICCF)	-
Global South	
South-South Climate Fund	3.2
South-South Cooperation Fund	2
Total	98.4

China development funds in the world economy (\$ billion)

improving the ecological environment in the region.

In the larger Eurasian region, investments include the China-Central and Eastern European (China-CEE) Fund— set up to facilitate financing of projects to enhance inter-connectivity in the region, specifically in Eastern Europe— and the bilateral Russia-China Investment Fund (RCIF) established by two government-backed investment vehicles, the Russian Direct Investment Fund and China Investment Corporation (CIC). The RCIF will invest 70 per cent of its capital in Russia and other Commonwealth of Independent States (CIS) countries (currently Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Uzbekistan and Ukraine) and 30 per cent in China.

Chinese finance also plays a prominent role in Latin America and the Caribbean. The largest instrument to do so is the \$20 billion CELAC (Community of Latin American and Caribbean States) -China Investment Fund for infrastructure projects, followed by the \$10 billion dollar China-LAC Industrial Cooperation Fund for medium- and long-term financing for industrial investments. The China-LAC (Latin America and the Caribbean) Cooperation Fund finances projects in areas including education, water conservation, and energy. The Fund includes a private equity fund administered by the C-EXIM. In addition to these, the China-Mexico Investment Fund was set up to support Chinese

CHINA-BACKED GLOBAL DEVELOPMENT FUNDS

China has also pioneered a host of bilateral and regional development funds. These funds combine to add upwards of \$100 billion in development finance provided by the Chinese in recent years. Table 2 exhibits the major funds that we were able to confirm.

A major portion of the investments is in Asia, with the largest being the \$40 billion Silk Road Fund established in 2014 with investment from state institutions including the C-EXIM and CDB. The fund is open to investors from other countries as well and has provisions to expand maritime connectivity between China and the rest of Asia (Central, South and Southeast Asia, and the Middle East), North and Northeast Africa, and Europe. A related fund is the Green Ecological Silk Road Investment Fund, a private equity fund for

and Mexican companies investing in infrastructure, mining and energy projects in both countries.

Over the last decade China has created a massive platform of public and private investments in Africa. To date the largest of such initiatives is the China-Africa Industrial Capacity Cooperation Fund Company Limited (CAICCF), jointly established earlier this year by the China Foreign Exchange Reserves and C-EXIM. The fund supports infrastructure development, particularly in the transit sector, as well as provides financing for manufacturing and agriculture projects. Among the state-backed funds is the China-Africa Development Fund (CAD Fund), a Chinese private equity fund financed by the CDB, set up in order to stimulate investment in Africa by Chinese companies in power generation, transportation infrastructure, natural resources, and manufacturing. The Africa Growing Together Fund (AGTF), co-financed by the African Development Bank (AfDB) and the People's Bank of China, is to finance eligible sovereign and non-sovereign guaranteed development projects in Africa.

In the larger arena China seeks to strengthen South-South relations and contribute to global development. To this end, China announced the creation of the \$3.1 billion South-South Climate Cooperation Fund in a China-US joint presidential statement on climate change in September 2015, to be used to finance initiatives in developing countries worldwide to combat climate change. China also pledged \$2 billion for the creation of a South-South Cooperation Fund aimed at assisting developing countries in implementing their post-2015 development agenda, as announced last year at the UN Sustainable Development Summit at the UN headquarters in New York. Plans to create an Academy of South-South Cooperation and Development were also announced, with the aim to facilitate studies and exchanges by developing countries on theories and practices of development suited to their respective national conditions.

NEW MULTI-LATERALS

With much fanfare, China helped spawn two global development banks, the NDB and the AIIB. The NDB was launched in July 2015 by Brazil, Russia, India, China and South Africa – collectively known as the BRICS countries. The NDB will provide financing to developing countries to help finance development projects, at least initially in infrastructure and with a focus on renewable energy. Each BRICS member is expected to put an equal share into establishing the startup capital of \$50 billion with a goal of reaching \$100 billion. Under the current set-up membership may not just be limited to BRICS nations. Future members could include countries in other emerging markets blocs. Each member country will send either their finance minister or central bank chair to the NDB's representative board. The bank is set up in a way so that no country will have veto power over voting decisions, in pointed contrast to

It is too early to tell whether the new multilateral funds and new multilateral development banks will steer such finance toward infrastructure that is more environmentally sustainable and socially inclusive.



Downtown Chicago

the veto power the US enjoys over World Bank (and IMF) decision-making.

The AIIB was created to support infrastructure construction in the Asia-Pacific region. It was proposed by China in 2013 and formally started operations in December 2015, after the Articles of Agreement (AoA) entered into force with ratification from 17 member states holding 50.1 per cent of the shares. This is in accordance with the AoA, which requires ratification from 10 member states holding a total number of 50 per cent of the initial subscriptions of the authorised capital stock. By end of February this year, all 57 of AIIB's Prospective Founding Members (PFMs) had ratified the AoA. The Memorandum of Understanding (MoU) specifies that the authorised capital of AIIB is \$100 billion and the initial subscribed capital is expected to be around \$50 billion. AIIB's investment capacity could reach \$250 billion by the end of 2020 in accordance with provisions made in its AoA. The AIIB is likely to co-finance projects with the World Bank and Asian Development Bank (ADB), particularly in the first years of its operations.

The PFMs include most developed nations, with notable exceptions being US, Canada, and Japan.

China currently holds the largest share of voting rights of the AIIB, just above the one-quarter threshold needed to block any decisions requiring a super majority vote (a super majority is defined by the articles to be three-fourths of the voting power and two-thirds of the members). This gives China the power to potentially block decisions involving structure, membership, capital increases, and other significant issues laid out in the articles that require a super majority of votes, but not decisions related to day-to-day operations.

Based on the minimum thresholds set for board seats – 6 per cent of voting power among regional members and 15 per cent among non-regional members – the set-up of the governing body composition is projected to be as follows: China and India, largest shareholders of AIIB with 30.34 per cent and 8.52 per cent stake respectively, will have single votes, enjoying voting shares of 26.06 per cent and 7.5 per cent respectively.

In terms of operational details, the AIIB is expected to be overseen by an unpaid, nonresident board of directors. This set-up aims to accelerate the speed of loans approval process. The AIIB will open bidding for projects to all,



unlike the ADB, which restricts contracts to member countries. The procurement policy will be “more streamlined” in terms of its operational details relative to the other development banks. The Environmental and Social Framework (ESF) was approved in February 2016 with the possibility for updates after the first three years of operation if needed.

There were concerns raised by civil society regarding not only the public consultation process of the ESF, but also its contents, in particular the reliance on corporate and country systems; lack of detail on the AIIB’s oversight mechanism; the omission of coal from its exclusion list; its adoption of the phased approach, which allows plans for impacts on indigenous groups to be made after project approval; and the lack of mandatory environmental or social impact assessments for projects in Category B, defined as having limited environmental and social impacts.

OPPORTUNITY AND CHALLENGE

There is no doubt that China has massively increased the scale of development finance to developing nations across the world. It also appears that China-backed development banks

represent a different emphasis for development policy than the Western-backed system, with a focus on infrastructure and structural transformation. The record thus far of the CDB and C-EXIM has raised questions whether Chinese banks are properly incorporating social and environmental risk into these activities, and the extent to which the project cycle is governed in a transparent and accountable manner. There

is also concern regarding the implication of the more streamlined social and environment safeguard provisions in China-led development initiatives on the ongoing safeguards review at the World Bank.

It is too early to tell whether the new multilateral funds and new multilateral development banks will steer such finance toward infrastructure that is more environmentally sustainable and socially inclusive. China has put green finance as a major focus of its G20 presidency, co-chairing a Green Finance Study Group that will look to “green” global finance. A developing country-led effort to green global development finance in a manner that is inclusive, accountable, and green would be a welcome addition to the global development-banking regime. Such an outcome is not inevitable however, and should be the goal of policy-makers and civil society alike.

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PULLING WOOL OVER OUR EYES

UZBEKISTAN

By Jen Derillo-Santos

Last 49th Asian Development Bank (ADB) Annual Governors Meeting (AGM), in the Civil Society Panel 2, “Grassroots Perspective on Integrating Core Labor Standards in ADB”. Mr. Souparna Lahiri’s discussion was anchored towards the International Labour Organisation’s (ILO) Declaration on Fundamental Principles and Rights at Work. His discussion gave emphasis on-

- Freedom of association and the effective recognition of the right to collective bargaining (Convention No. 87 & No. 98)
- The elimination of all forms of forced and compulsory labour (Convention No. 29 & No. 105)
- The effective abolition of child labour (Convention No. 138 & No. 182)
- The elimination of discrimination in respect of employment and occupation (Convention No. 100 & No. 111)

In the same panel Claude Akpokavie, Senior ILO Adviser explained that this declaration is not an ‘option’ that can be implemented only if ‘wanted’.

This is a right of every worker, all over the world.

FAST FACTS ABOUT FORCED LABOR

FORCED LABOUR TAKES DIFFERENT FORMS, INCLUDING DEBT BONDAGE, TRAFFICKING AND OTHER FORMS OF MODERN SLAVERY. THE VICTIMS ARE THE MOST VULNERABLE - WOMEN AND GIRLS FORCED INTO PROSTITUTION, MIGRANTS TRAPPED IN DEBT BONDAGE, AND SWEATSHOP OR FARM WORKERS KEPT THERE BY CLEARLY ILLEGAL TACTICS AND PAID LITTLE OR NOTHING.



Almost 21 million people are victims of forced labour - 11.4 million women and girls and 9.5 million men and boys.

Almost 19 million victims are exploited by private individuals or enterprises and over 2 million by the state or rebel groups.



Of those exploited by individuals or enterprises, 4.5 million are victims of forced sexual exploitation.

Forced labour in the private economy generates US\$ 150 billion in illegal profits per year.



Domestic work, agriculture, construction, manufacturing and entertainment are among the sectors most concerned.

Migrant workers and indigenous people are particularly vulnerable to forced labour.



A GLIMPSE UNTO UZBEKISTAN'S LABOR POLICY

The Amu Bukhara Irrigation System (ABIS) was proposed and approved with the goal to ensure sustainable and reliable water supply for irrigated agriculture in the main command area of 250,000 ha and drinking water for 725,000 population. That is at least what the Asian Development Bank (ADB) together with the Japan International Cooperation Agency (JICA) “intended” to accomplish when they gave out the US\$146.00 Million loan to the Uzbekistan government in 2013. Two years after, October 2015, two boys ages 2 and 17, died in circumstances related to Uzbekistan’s fall cotton harvest.

In the same 49th ADB AGM panel, Matthew Fischer-Daly, Cotton Campaign Coordinator, explained that Uzbekistan primarily uses forced labor during the harvest season, around September to October. Initially it included children and adult, but following the widespread global coverage about the practice, the Cabinet of Ministers of Uzbekistan declared its intent to ensure that no one under the age of 18 would participate in the cotton harvest. But this only put adult forced labor into high gear. An example is the the 2-year old boy that died while his mother picked cotton under threat of losing her job as a kindergarten teacher. Instead of taking care of her family, the mother has to fulfill ‘duties’ assigned by the state.

Health care workers and students are among the 1 million workers forced to toil long hours in the cotton fields, often without access to clean drinking water and typically work without crucial safety and health gear, exposed to toxic pesticides and dangerous equipment.

How is this even possible when there is already an international law about the rights of workers?

Daly explained that forced labor system is deeply rooted in the economy of Uzbekistan. The state owns most of the land, and it is being leased to

the farmers, then imposes cotton production quota.

Prime Minister Shavkat Mirziyoyev ordered the penalization of farmers that had not fulfilled their state-assigned cotton production quotas, including confiscation of properties, loss of lands, destruction of non-cotton crops, and imprisonment.

The government controls everything, from income to setting the procurement price of the harvested cotton, which is way lower than the cost of production. The government maintains monopolies, buy and sell all the cotton, making enormous profits not for the benefit of the citizens but for the profit of corrupt private elites.

IS ADB ABOVE ILO?

This is not only a matter of forced labor or coercion. This is also a matter of compliance to the ILO Declaration on Fundamental Principles and Rights at Work to which the ADB in 2006 commits itself.

Elimination of All Forms of Forced or Compulsory Labor³²

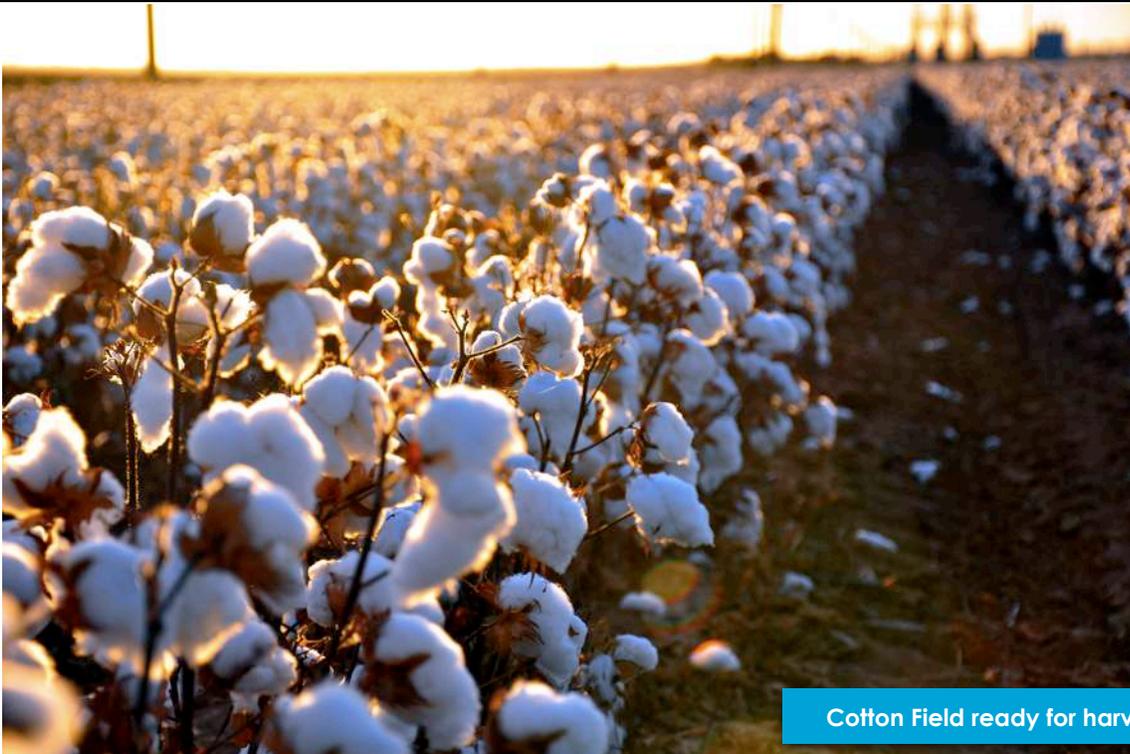
A. Nature of the Problem

Forced labor is universally condemned. Yet the elimination of its numerous forms—old and new, ranging from slavery and debt bondage to human trafficking—remains one of the most complex challenges facing local communities, national governments, employers’ and workers’ organizations, and the international community. It is revealing ugly new faces alongside the old. Traditional types of forced labor, such as chattel slavery and bonded labor, still exist. In economic contexts, disturbing new forms, such as forced labor in connection with the trafficking of human beings, are now emerging. From the perspectives of ILO and ADB, forced labor contravenes their overarching objectives. The abusive control of one human being over another is the antithesis of decent work and impedes poverty reduction. Clearly, there is a need to identify any broad patterns of forced labor in the region as well as country-specific data on it. Such information is needed to assist ADB decision makers in their deliberations on how best to tackle the problem, assess priorities, and design and target interventions against forced labor.

Vital questions include

- (i) How many people are affected by forced labor today?
- (ii) Where are they?
- (iii) Who are the main victims?
- (iv) How exactly does forced labor operate differently for men, women, boys, girls, youth, migrant workers, and various racial groups?
- (v) What are the profiles of those benefiting directly from placing others in human bondage?

³² Much of the following information in this section is taken from ILO, 2001. *Stopping Forced Labour*. ILO Global Report. Geneva.



Cotton Field ready for harvesting

The bank promised to work towards the elimination of all forms of forced or compulsory labor in designing and implementing all its projects, it is even stated in its own **Core Labor Standard Hand Book, page 39**.

The bank also claimed that they will not finance production or activities involving harmful or exploitative forms of forced labor or child labor

So why is the ABIS is still an ongoing project?

POST-DISSONANCE?

Panel 2 in the 49th ADB AGM also faced the hard truth that the space for CSO's is shrinking day by day. What is happening to Uzbekistan is an example, citizens are not allowed to organize themselves and express their opinions and demand for their rights, journalists and media persons went missing as they cover the cotton story of the country, the space for civic engagement is closing—not just in countries that have struggled under repressive or autocratic governments like Uzbekistan, but also in democracies with longstanding traditions of supporting freedom of expression.

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UNMASKING ADB ON KJDRP ISSUE AND FORMATION OF MULTI STAKEHOLDER FORUM (MSF)

By Kazi Zaved Khalid Pasha

Brief Description of the KJDRP

To address drainage congestion and water logging problem in southwest coastal districts, the Bangladesh Water Development Board (BWDB) in 1995-96 came up with the solution called the “Khulna Jessore Drainage Rehabilitation Project (KJDRP)”. This project was given a US\$62 million loan by the Asian Development Bank (ADB) to “support” the effort of the Government of Bangladesh to reduce poverty by alleviating river drainage congestion covering 100,600 hectares (ADB 2004b). The KJDRP was officially completed in 2004. But the project failed to achieve its goal. The water logging is still not eliminated making the KJDRP one of the most controversial ADB projects in Bangladesh.

Affected Unit	Name of the Upazila			
	Keshabpur	Manirampur	Abhaynagar	Total
Area	130 sq. km	160 sq. km	86 sq. km	375 sq. km
Village	74	71	39	184
Family	27, 240	18, 430	11, 775	57, 445
People	136, 100	84, 500	66, 600	287, 200
Agricultural land	3, 430 hectares	4, 120 hectares	3, 275 hectares	10, 825 hec.
Edu. Institution	24	82	33	139
Village path	55 km	90 km	105 km	250 km
Roads	6 km	6 km	20 km	32 km
Household	4, 565	8, 400	8, 725	21, 690

*Table: 1. The catastrophe at Bhabadaha at a glance
Source: The Daily Prothom Alo, 6 September 2006*

During the conception of the project, KJDRP failed to incorporate proper people’s participation in the project cycle. In order to ensure people’s participation in KJDRP, a number of registered Water Management Groups (WMGs) in the village level and subsequently Water Management Associations (WMAs) at the zone level were formed. This functioned during the implementation period of KJDRP. At the end of the process, a Water Management Federation (WMF) was formed to function as an apex body to coordinate these Water Management Organizations (WMOs).



The WMOs have created a great opportunity for identifying and overcoming the water resource problems of KJDRP. The vision was to implement the Tidal River Management (TRM) successfully in the beels one after another and to replicate the TRM model in other water logged areas of the South West (SW) region. This also serves as a sustainable mitigation option. However, there were some weaknesses in forming WMOs in KJDRP such as:

- The absence of a section of communities in the WMGs due to various non-cooperation movements against KJDRP rooting its formation period. This has resulted in a partial representation from the village as well as zone level WMOs
- Limited resources are given by Bangladesh Water Development Board (BWDB) after the completion of the KJDRP. The resources are vital for the extension of work, it will strengthen the WMOs further by having a full representation by the communities and individuals
- The politicising of the WMOs, their use of use of power/muscle in the subsequent election/selection process created mistrust on the WMO leaders among the community and people in general.

As a result, the WMOs had a weak formation which resulted to:

- The local and indigenous knowledge-based TRM option for solving the long-lasting drainage problem did not ensure full success.
- The ineffective TRM in Beel Kedaria has resulted to mistrust of the TRM approach among the communities of the adjacent TRM basin area. This has created a dilemma with regard to the timely start of the next TRM with appropriate people's participation at Beel Khuksia.
- Complaints about the inefficiency of WMOs in playing a pro-people role in the overall planning and implementation process of the TRM at Beel Khuksia including its regular Operation and Maintenance (O&M).

ON 11 JANUARY 2008, THE OFFICE-IN-CHARGE, OPERATION EVALUATION DEPARTMENT, RECEIVED THE FOLLOWING RESPONSE FROM THE MANAGING DIRECTOR GENERAL ON BEHALF OF THE MANAGEMENT:

PROJECT RATING:

THE PROJECT IS RATED AS UNSUCCESSFUL. HOWEVER, WE NOTE THAT OUR EARLIER POINTS ABOUT THE EVALUATION METHODOLOGY WERE NOT ADEQUATELY REFLECTED IN THE FINAL ANALYSIS. IF THIS HAD BEEN DONE WE BELIEVE THAT THE ECONOMIC INTERNAL RATE OF RETURN (EIRR) WOULD HAVE EXCEEDED 6% (AS COMPARED TO 4.1% IN THE PPER), WITH THE RESULT THAT THE PROJECT WOULD HAVE BEEN RATED LESS EFFICIENT* AND IN TURN, THE OVERALL PROJECT RATING WOULD HAVE BEEN PARTLY SUCCESSFUL.

- The conflict between the WMOs and Local Government Institutions (LGIs), e.g. Union Parishad (UP) in performing their respective roles in local water management activities.
- Local forums evolved against BWDB and WMOs and their various unplanned actions to solve the problem through operating the Bhabadaha Sluice Gate and by closing the TRM cut points at Khuksia etc. This has created clashes among the groups and WMOs and aggravated the problem further.
- The gap that has developed between the beneficiary and BWDB has led to people's non-cooperation with the implementing agency in the KJDRP and adjacent waterlog areas.

As a consequence of the failure of BWDB and the WMOs inappropriately managing the water resources problems through the KJDRP and its adjacent areas, the following activities evolved gradually:

- People's forums were formed at specific locations to address the problem discreetly and to start an issue based movement in different river basins (e.g. Kapotaksha)

- Additional new areas of problem were identified in adjacent river catchments (siltation of Teligati-Ghangrail River)
- It was realised that the KJDRP can be connected to the adjacent river catchments under a single banner to address and solve the problem in a holistic way
- A multi-basin, multi-problem and multi-stake concept evolved to ensure integrated water and land management efforts
- Efforts were initiated for the expansion of community movements (Pani Committee) and for forming a local level multi-basin movement forum by Local Government Institute (LGI) representatives (UP Chairman Forum).

As a result of the above, the concept of a Multi-Stakeholders' Forum (MSF) was established gradually and recommended in relation to KJDRP and water logging issues in different regional and national level meetings/workshops.

CONSTITUENTS OF THE MULTI-STAKEHOLDERS' FORUM (MSF)

A.Tier

As the MSF is an issue based advisory, auditory and supervisory forum for integrating people's view with the implementing agency, the organogram will be in two tiers. The primary tier will be formed based on the 'River Basin' to capture people's views, needs and choices. The secondary tier will be formed at the central level for establishing linkage between the beneficiaries and the implementing agency as well as between inter-dependent basins. At present, there is some catchments/basin based people's forums and Community-based Organisations (CBOs) that are found working in some river

basins. A number of Non-Government Organization (NGOs), CBOs and individuals, however, are campaigning for a central MSF for the whole problem area.

Initially, a central level MSF would be easier to form in order to avoid the complexity of a bottom-up organisation formation process. The central MSF will organise the primary or basin level forum gradually and step by step. Divisional level officials from different government departments will represent the central forum while district and/or upazila level officials will represent the basin level forums. Both the primary and secondary level forums will maintain strong liaison among themselves for proper dissemination of information/decisions to the beneficiary level. Here, a two-way communication network should be built for enhancing the interactive and iterative processes of negotiation.

B.Members

The members of the MSF will be those who are working for water resource management in water-logged areas including the KJDRP area. These members will be selected/ nominated from relevant government departments and specific institutions like WMAs, UPs, NGOs, CBOs, movement-based forums and local knowledgeable individuals and national experts (organisations/individuals). The number of MSF members is recommended to be not more than 35 at the central level and 25 for the basin level. The

Project Performance Evaluation Report (PPER) Recommendations:

We have general agreement with the PPER's lesions and follow-up recommendations. All the recommendations are the responsibility of the Ministry of Water Resources and BWDB. OED proposes that ADB monitors the implementation of the recommendations. We note that ADB has been and will continue to be proactive in addressing various implementation issues. ADB has made enormous efforts to encourage the establishment of the MSF and to engage in dialogue with development partners and stakeholders on other various areas in which BWDB should become more inclusive and efficient.

institutions concerned should nominate trustworthy, knowledgeable and visionary individuals for representing both levels of the MSF.

Civil society organisation consider multi-stakeholder forum as a forum of governance that will achieve following objectives:

- To mobilise all sectoral representatives in order to ensure their participation and contribution to resolving the water logging problem for the long term and in a sustainable way.
- To establish a socially, eco-friendly and participatory water resources management system (e.g. TRM) in KJDRP and adjacent areas.
- To replicate the tested system in other areas under the south-west hydrologic region of Bangladesh suffering from water logging.
- To integrate the planning process for better water and environment management in the whole region.

The detailed objectives will be followed:

- To address the water resource related problems and issues in an integrated manner.
- To ensure participation and contribution of all stakeholders, relevant government and other institutions (e.g. NGOs, CBOs and local and national experts) and establish their inter relationships.
- To ensure an accountable and transparent water resource management system in the area.
- To link local beneficiaries with the government departments especially with



A community turned into an island

the implementing agencies to ensure accountability in service delivery and the service receiving system.

- To plan and guide implementation of TRM concept in the concerned area.
- To develop a knowledge base network to guide all concerned for sustainable and doable development of the people and environment of the whole area.

SCOPE OF MSF

The main task of the MSF is to take a negotiated approach in guiding, assisting and auditing the activities of the members of the forum on the basis of people's wisdom and to conduct lobby and advocacy on important concerned issues. The following aspects are included in the scope of work for the MSF:

- Guiding and assisting the government departments including the implementing agencies for participatory water management.
- Guiding and assisting the beneficiaries for proper participation in water management (especially in TRM)
- Guiding and auditing the role of relevant forum members for good governance and transparency.
- Guiding and assisting the government departments and basin level communities/stakeholders for gap filling and conflict resolution.
- Resolving the problems and issues of water resource management in the south-west hydrologic region with an integrated approach.

CONCLUSION

The MSF has created an opportunity to develop a watchdog organisation in the Khulna, Jessore and Satkhira districts to address and solve the drainage and related problems by unifying all stakeholders in this common cause. This area is a diversified ecological and physiological region having a number of tidal rivers and the great Sunderbans. So, the MSF should work very closely with all development activities undertaken by different government departments

i.e. Department of Agricultural Extension (DAE), Department of Fisheries (DoF), Forest, Environment, Department of Public Health and Engineering (DPHE), Local Government and Engineering Division (LGED), Roads and Highway Division (R&HD) including BWDB and various NGOs working in the region in order to avoid any negative impact on the environment, people and economy of the area.

If successfully implemented, this MSF can become a model for replication in other areas of Bangladesh.

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